CAIIB 2026

Banking Regulations & Business Laws

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Banking Regulations And Business Laws

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CHAPTER 01
Legal Framework of Regulation of Banks

Oct/Nov 2018

1. Following the amendments provided by the Finance (No. 2) Act 2019, to what amount has the limit of net owned funds for Non-Banking Finance Companies (NBFCs) been enhanced?
(A) Rs. 2 crores
(B) Rs. 50 crores
(C) Rs. 100 crores
(D) Rs. 500 crores

May/June 2023

2. Which of the following statements concerning the Reserve Bank of India Act, 1934 is incorrect?
(A) The Act was legislated with the primary aim to regulate the issue of Bank notes and the keeping of reserves for monetary stability.
(B) Section 42 of the Act provides for cash reserves of scheduled banks to be kept with the Reserve Bank to ensure system liquidity.
(C) The Act extensively details the operational licensing, daily functioning, and liquidation processes of all commercial banks in India.
(D) Section 18 of the Act provides for direct discount of bills of exchange and promissory notes when a special occasion arises in the market.

Oct/Nov 2009

3. What defines the role of a "lender of the last resort" in the context of the banking system?
(A) An entity that mandates the compulsory liquidation of underperforming banks to protect the long-term interests of the depositors.
(B) A government body that directly provides agricultural and rural development loans when commercial banks refuse to provide credit.
(C) An institution that offers funds to banks or financial institutions experiencing financial difficulty, considered highly risky, or near bankruptcy.
(D) An international organization that regulates cross-border financial transactions to prevent global money laundering and illegal activities.

May/June 2016

4. Which of the following is NOT an objective of the Banking Regulation Act, 1949?
(A) To provide specific legislation to the business of banking in India.
(B) To prevent bank failures by prescribing minimum capital requirements.
(C) To establish and operate all cooperative societies across the nation.
(D) To safeguard the interest of the depositor.

Oct/Nov 2025

5. How are foreign companies that transact banking business in India legally treated and governed?
(A) They are entirely exempt from the Banking Regulation Act and governed solely by international bilateral treaties and foreign banking laws.
(B) They are constituted as per statutes abroad, treated as such under section 2(42) of the Companies Act, 2013, and governed by the Banking Regulation Act and the RBI Act.
(C) They are regulated exclusively under the Multi-State Co-operative Societies Act to ensure they meet the specific needs of the local communities.
(D) They are converted automatically into body corporates constituted under a special Indian statute upon receiving their initial license to operate.

May/June 2007

6. Under what circumstance is the Central Government most likely to utilize its powers under Section 7(1) of the RBI Act to give directions to the RBI?
(A) Whenever a commercial bank fails to meet its priority sector lending targets for a single quarter of the current financial year.
(B) When it is considered important in public

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interest, such as issues regarding liquidity for NBFCs or capital requirements for weak banks.

(C) When a co-operative bank requires administrative approval to change the physical location of its registered head office to a different district.

(D) Whenever the stock market experiences a minor fluctuation affecting the shares of public sector banks listed on the national exchange.

Oct/Nov 2014

7. How is the business of "banking" defined under Section 5(b) of the Banking Regulation Act, 1949?

(A) The acceptance of funds from government bodies and institutional agencies for the exclusive purpose of large-scale infrastructure lending projects.

(B) The accepting, for the purpose of lending or investing, of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

(C) The acceptance of deposits from any corporate entity or individual investor, strictly for the purpose of trading and speculation in capital markets.

(D) The advancing of loans and credit facilities to the general public utilizing only the internal paid-up capital and reserves of the financial institution.

May/June 2012

8. Which of the following statements correctly indicates the applicability of the Banking Regulation Act, 1949 to the state of Jammu and Kashmir?

(A) It has been applicable since the inception of the Act on 16 March 1949.

(B) It became applicable in Jammu and Kashmir from the year 1956.

(C) It was extended to Jammu and Kashmir only after the Banking Regulation (Amendment) Act 2020.

(D) It does not apply to Jammu and Kashmir; instead, a separate state-specific banking law applies.

Oct/Nov 2006

9. Which of the following entities is NOT completely exempted from the restriction of using the words "bank", "banker", or "banking" as part of its name under Section 7 of the Banking Regulation Act?

(A) Subsidiaries of banks.

(B) A private firm engaged in providing micro-loans and accepting small deposits.

(C) An association of banks in certain cases.

(D) A primary credit society.

May/June 2019

10. Why are banks required to follow Know Your Customer (KYC) norms before opening an account?

(A) To assess the customer's total wealth and eligibility for specialized priority sector lending programs and subsidized interest rates.

(B) To determine the appropriate interest rate and service charges to be applied on the customer's individual savings or current account.

(C) To protect banks from frauds and monitor suspicious transactions for anti-money laundering and combating the financing of terrorism.

(D) To ensure the customer holds an account with no other banking institution to prevent the fragmentation of personal financial data.

Oct/Nov 2010

11. What is the most appropriate course of action for a bank desiring to raise capital through a public issue?

(A) It must seek exclusive approval from the Ministry of Corporate Affairs, bypassing banking regulators.

(B) It must comply solely with the rules prescribed by the local State Government.

(C) It must surrender its banking license to the RBI before issuing shares to the public.

(D) It must comply with the guidelines issued by the Securities and Exchange Board of India (SEBI).

May/June 2021

12. On what date was the statute originally known as the Banking Companies Act, 1949 renamed to the Banking Regulation Act, 1949?

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(A) 16 March 1949
(B) 1st March 1966
(C) 26th June 2020
(D) 29th September 2020

Oct/Nov 2022

13. Which of the following statements regarding the usage of the word "bank" or its derivatives is incorrect?
(A) Any co-operative society, including those formed by employees of a non-banking company, is freely permitted to use the word "bank" in its name.
(B) Every banking company must use the word "bank" as part of its name.
(C) No firm, individual, or group of individuals is permitted to use the words "bank", "banking", or "banking company" as part of their name for the purpose of business.
(D) Subsidiaries of banks and associations of banks are exempted from the restriction on using the word "bank".

May/June 2005

14. Which of the following correctly identifies a provision regarding the acceptance of deposits withdrawable by cheque under Section 49A of the Banking Regulation Act?
(A) Any non-banking financial company can independently accept deposits withdrawable by cheque if they maintain a specified level of liquid assets.
(B) Primary agricultural credit societies are explicitly encouraged to accept deposits withdrawable by cheque to enhance financial inclusion in rural areas.
(C) No person other than a banking company, the RBI, the SBI, or any other notified banking institution is authorized to accept deposits withdrawable by cheque.
(D) The restriction on accepting deposits withdrawable by cheque applies uniformly to savings bank schemes run by the Government through the postal department.

Oct/Nov 2016

15. When is it most appropriate for the Reserve Bank of India to step in as the "lender of the last resort"?
(A) When a bank wants to expand its branch network globally and requires low-cost capital for international infrastructure and operational setup.
(B) When a government body needs to directly provide agricultural loans because commercial banks have collectively refused to lend to farmers.
(C) When an international organization requires assistance to regulate cross-border financial transactions and prevent sophisticated money laundering schemes.
(D) When a bank or financial institution faces financial difficulty, a 'run' on the bank, or a liquidity crisis that could dramatically affect the financial system.

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May/June 2018

16. Under the Reserve Bank of India Act, 1934, what constitutes a "Scheduled Bank"?
(A) A bank that is included in the Second Schedule of the Reserve Bank of India Act, satisfying the criteria mentioned in Section 42(6)(a).
(B) A bank that operates under the direct ownership and administrative control of the Central Government via a specific legislative act.
(C) A bank that strictly adheres to the lending rates and interest margins periodically prescribed by the Governor of the Reserve Bank of India.
(D) A bank that maintains a minimum of ten branches across multiple states within the country to ensure broad geographical presence.

Oct/Nov 2007

17. Which of the following areas is NOT listed as a scenario where the Central Government holds appellate or regulatory powers over banks?
(A) Exemption of a bank from the requirement to adhere to the core objectives of the Companies Act, 2013 regarding general corporate meetings.
(B) Appeal against the removal of managerial personnel of a bank exercised by RBI under specific sections of the Act.
(C) Appeal against the cancellation of a banking license as prescribed under the provisions of the Banking Regulation Act.
(D) Suspension of operations and/or exemption from any of the provisions of the Act under the authority of the Government.

May/June 2014

18. In which financial year was the process of merging the seven subsidiaries/associates of the State Bank of India with the parent SBI completed?
(A) FY 2012-13
(B) FY 2015-16
(C) FY 2017-18
(D) FY 2019-20

Oct/Nov 2019

19. Which of the following statements regarding the amendment to Section 3 of the Banking Regulation Act (via the 2020 Amendment) is incorrect?
(A) The Act does not apply to a primary agricultural credit society that meets the criteria defined in the cooperative statutes.
(B) The Act does not apply to a co-operative society whose primary object is providing long-term finance for agricultural development.
(C) For the exemptions under Section 3 to apply, the society must not use the words "bank", "banker", or "banking" in its name.
(D) The exempted societies under Section 3 are fully authorized to act as drawees of cheques for their members.

May/June 2025

20. Which statement correctly outlines the composition of the Central Board of Directors of the Reserve Bank of India?
(A) It includes a Governor, not more than four deputy governors, four directors from local boards, ten directors nominated by the central government, and two government officials.
(B) It consists solely of the Governor and four Deputy Governors appointed by the Central Government to oversee the daily monetary operations of the country.
(C) It comprises directors elected directly by the shareholders of the recognized scheduled commercial banks to represent the interests of the private sector.
(D) It is composed of a Governor, State Finance Ministers, and directors nominated by the Securities and Exchange Board of India to coordinate fiscal policy.

Oct/Nov 2011

21. Which outcome is most appropriate for a banking company that acquires immovable property in satisfaction of a claim and fails to dispose of it within the initial seven-year period without seeking an extension?
(A) The property is automatically transferred to the State Government for public use.
(B) The property is immediately auctioned by the Securities and Exchange Board of India.
(C) The bank is considered to be in violation of Section 9 of the Banking Regulation Act unless an extension of up to five years is granted by the RBI.
(D) The bank must utilize the property exclusively for opening a new operational branch.

May/June 2009

22. What is the maximum initial period a banking company is permitted to hold immovable property, acquired in satisfaction of its claims, before it must be disposed of under Section 9 of the Banking Regulation Act?
(A) Three years
(B) Five years
(C) Seven years
(D) Ten years

Oct/Nov 2024

23. What describes the concept of "dual control" over co-operative banks operating in a single state?
(A) The control shared equally between the Reserve Bank of India and the Securities and Exchange Board of India regarding market operations.
(B) The regulatory oversight split between the Central Government and the Deposit Insurance and Credit Guarantee Corporation for financial safety.
(C) The joint management by the Primary Agricultural Credit Societies and the State Co-operative Societies to ensure rural credit delivery.
(D) The formation and management are controlled by the State Government, while licensing and regulation of banking business rest with the Reserve Bank of India.

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May/June 2010

24. Which of the following powers is NOT among those newly granted to the RBI over NBFCs through the Finance (No. 2) Act 2019?

(A) Power to remove or debar an auditor from exercising duties for an RBI regulated entity for a period of 3 years.

(B) Power to frame schemes for amalgamation, reconstruction, or splitting of an NBFC into viable and non-viable businesses.

(C) Power to direct an NBFC to furnish statements and information relating to its group companies.

(D) Power to independently nationalize any NBFC without consulting the Central Government.

Oct/Nov 2005

25. Which of the following statements regarding the business of banking is incorrect?

(A) The deposits accepted by a bank may be repayable on demand or after a mutually agreed period of time.

(B) A bank is legally obligated to accept deposits of money from any member of the public without exception.

(C) A bank necessarily performs the two essential functions of accepting deposits and lending or investing such deposits.

(D) In terms of the statutory definition, a banker can accept "deposits" of money only and not anything else.

May/June 2017

26. In the context of Section 8 of the Banking Regulation Act, 1949, which prohibits a banking company from engaging in trading, what does the term "goods" encompass?

(A) All types of actionable claims and diverse debt instruments registered under the Transfer of Property Act or relevant commercial laws.

(B) Every kind of immovable property acquired by the bank through legal foreclosure or in satisfaction of its claims against defaulting borrowers.

(C) Only specific agricultural commodities and precious metals that are traded on recognized national and international commodity exchanges.

(D) Every kind of moveable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in Clause (a) of sub-Section (1) of Section 6.

Oct/Nov 2015

27. What is the most appropriate description of the primary impact of the Banking Regulation (Amendment) Act, 2020 on co-operative banks?

(A) It increased the powers of the RBI to better regulate these entities, including management, capital, audit, and liquidation.

(B) It eliminated the role of State Governments in the formation and registration of co-operative societies at the regional level.

(C) It transferred the ownership of all co-operative banks to the Deposit Insurance and Credit Guarantee Corporation for better protection.

(D) It mandated the merger of all primary agricultural credit societies into commercial banks to streamline the national credit delivery system.

May/June 2020

28. What is the fundamental rationale behind Section 8 of the Banking Regulation Act prohibiting a banking company from trading in goods?

(A) To ensure banks do not undertake trading risks directly or indirectly.

(B) To prevent banks from holding excess immovable property.

(C) To force banks to strictly lend only to the agricultural sector.

(D) To shift all commercial trading activities to cooperative societies.

Oct/Nov 2021

29. Which of the following activities is NOT permitted for a banking company under Section 6(1) of the Banking Regulation Act?

(A) Dealing in bills of exchange, including drawing, accepting, buying, and selling.

(B) Carrying on and transacting every kind of guarantee and indemnity business.

(C) Engaging directly or indirectly in trading activities and undertaking trading risks.

(D) Undertaking the administration of estates as executor or trustee.

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May/June 2013

30. Which statement correctly describes the constitution of Public Sector Banks (other than the State Bank of India)?

(A) They are constituted as corporate entities under the Companies Act, 2013.
(B) They are registered under the Multi-State Co-operative Societies Act, 2002.
(C) They are formed as subsidiaries under the State Bank (Subsidiary Banks) Act, 1959.
(D) They are constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the corresponding Act of 1980.

Oct/Nov 2008

31. Match the references under the modified Section 56 of the Banking Regulation Act in List-I with their construed meanings for co-operative societies in List-II.

List I: Terms in the Act
P. Reference to "banking company"
Q. Reference to "commencement of this Act"
R. Reference to "memorandum of association"
S. Reference to "Registrar of Companies"

List II: Construed Meaning
1. Construed as references to bye-laws
2. Construed as references to a co-operative bank
3. Construed as references to commencement of the Banking Laws Act, 1965
4. Construed as references to "Registrar of Co-operative Societies"

(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

May/June 2024

32. Which of the following roles represent the major powers of the Reserve Bank of India as a regulator and supervisor?

I. Power to issue banking licenses.
II. Power to impose penalties.
III. Power to appoint the Central Government's Finance Minister.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2017

33. Match the legislative frameworks in List-I with their corresponding years of enactment in List-II.

List I: Legislative Frameworks
P. Companies Act
Q. State Bank (Subsidiary Banks) Act
R. Multi-State Co-operative Societies Act
S. Regional Rural Banks Act

List II: Year of Enactment
1. 2002
2. 2013
3. 1959
4. 1976

(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

May/June 2006

34. Which of the following bodies or authorities can exert regulatory control or influence over the operations of a bank in India?

I. Reserve Bank of India (RBI).
II. Securities and Exchange Board of India (SEBI).
III. Central Government of India.
IV. Labour Authorities.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2013

35. Consider the following statements regarding the business of banking:

I. Accepting deposits from the "public" implies that a banker must accept deposits from anyone who offers money.
II. A banker can refuse to open accounts of undesirable persons subject to compliance with Know Your Customer (KYC) norms.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2008

36. Identify the correct statements regarding the Government's powers to regulate banks:

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I. The Government can give directions to the RBI under Section 7(1) of the RBI Act in the public interest.
II. The Government is the sole shareholder of the RBI.
III. The Government can hear appeals against the cancellation of a banking license under Section 22 of the BR Act.
IV. The Government can hear appeals against the refusal of a certificate regarding a floating charge on assets under Section 14A.
V. The Government directly conducts the Annual Financial Inspection (AFI) of banking companies.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2012

37. Arrange the following statutes in the chronological order of their enactment from earliest to latest:
I. Regional Rural Banks Act
II. Banking Regulation Act (originally Banking Companies Act)
III. Reserve Bank of India Act
IV. State Bank of India Act
(A) III, II, IV, I
(B) III, IV, II, I
(C) II, III, I, IV
(D) II, I, IV, III

May/June 2015

38. Based on Section 6(1) of the Banking Regulation Act, which of the following activities are permitted for a banking company?
I. Dealing in Bills of Exchange.
II. Undertaking the administration of estates as executor or trustee.
III. Carrying on every kind of guarantee and indemnity business.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

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Oct/Nov 2020

39. Which of the following statements accurately describe the constitution of various types of banks in India?
I. Banks can be body corporates constituted under a special statute.
II. Private sector banks are generally registered under the Companies Act.
III. Co-operative banks are registered under Central or State enactments.
IV. Foreign banks are treated as companies constituted as per statutes abroad.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2011

40. Which of the following pairs relating to the Finance (No. 2) Act 2019 amendments is correctly matched?
(A) Section 45-IA - Superseding the board of an NBFC
(B) Section 45MAA - Framing schemes for amalgamation of an NBFC
(C) Section 45MBA - Enhancing the limit of net owned funds
(D) Section 45NAA - Directing an NBFC to furnish information relating to group companies

Oct/Nov 2023

41. Banks may be subject to the control of various regulatory agencies for different aspects of their business. Which of the following are correct pairings of regulatory aspects and authorities?
I. Company matters – Authorities under the Companies Act.
II. Terms and conditions of service of workmen – Labour authorities.
III. Payment of income tax and GST – Tax authorities.
IV. Dealings in securities like shares and debentures – SEBI.
V. Insurance Business rules – IRDA Regulations.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2022

42. Match the newly inserted Sections under the RBI Act concerning NBFCs in List-I with their corresponding powers in List-II.

List I: Sections of the RBI Act

P. Section 45MAA
Q. Section 45-IE
R. Section 45MBA
S. Section 45NAA

List II: Powers

1. Superseding the board of a regulated NBFC
2. Directing an NBFC to furnish information relating to its group companies
3. Power to remove or debar an auditor
4. Framing schemes for amalgamation, reconstruction or splitting

(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2009

43. Under the Finance (No. 2) Act 2019, which of the following powers were newly granted to the RBI concerning NBFCs?

I. Power to replace directors or supersede the board.
II. Power to remove or debar an auditor.
III. Power to mandate the issuance of currency notes by large NBFCs.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

May/June 2023

44. Consider the following statements regarding the disposal of non-banking assets under Section 9 of the Banking Regulation Act:

I. A banking company shall not hold any immovable property, acquired for its own use, for any period exceeding seven years.
II. The Reserve Bank of India may extend the seven-year period by a further period not exceeding five years if it is satisfied that such extension is in the interests of the depositors.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2018

45. Which of the following correctly outlines the changes and powers introduced regarding NBFCs by the Finance (No. 2) Act 2019?

I. Limit of net owned funds has been enhanced to Rs. 100 crores.
II. RBI can replace directors of a regulated NBFC.
III. RBI can supersede the board of a regulated NBFC.
IV. RBI is empowered to frame schemes for the amalgamation of an NBFC.
V. RBI can remove or debar an auditor for a period of up to 10 years.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2007

46. Arrange the following milestones related to the Banking Regulation Act in chronological order:

I. The statute's name was changed to Banking Regulation Act, 1949.
II. The Act became applicable in Jammu and Kashmir.
III. The Act came into force.
IV. The Act was made applicable to Co-operative Banks by adding Section 56.

(A) III, II, IV, I
(B) III, I, II, IV
(C) II, III, I, IV
(D) III, IV, II, I

Oct/Nov 2025

47. Which of the following statements reflect the modifications made by Section 56 of the Banking Regulation Act concerning co-operative societies?

I. References to a "banking company" shall be construed as references to a co-operative bank.
II. References to "commencement of this Act" relate to the commencement of the Banking Laws Act, 1965.
III. References to "memorandum of association" shall be construed as references to bye-laws.
IV. References to "Registrar of Companies" are completely removed and ignored.

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Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2012

48. Which of the following pairs concerning the Reserve Bank of India Act, 1934 is correctly matched?
(A) Section 4 - Management of the Bank
(B) Section 22 - Right to issue Bank Notes
(C) Section 7 - Composition of the Central Board
(D) Section 30 - Establishment and Incorporation

Oct/Nov 2014

49. According to the Banking Regulation Act, which of the following actions can the Central Government undertake regarding the regulation of banks?
I. Notify which other business a banking company may engage in under Section 6(1).
II. Approve the formation of a subsidiary by a banking company under Section 19.
III. Directly issue bank notes to the public in times of financial crisis.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2019

50. Consider the following statements regarding the constitution of banks:
I. Public Sector Banks (other than SBI) were constituted under the Companies Act, 2013.
II. Most Private Sector Banks are Companies constituted under Section 3 of the Companies Act, 1956 or incorporated under the Companies Act, 2013.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2006

51. Which of the following statements comprehensively reflect the structural categories and regulation of co-operative banks?
I. They can be Scheduled Urban Co-operative Banks.
II. They can be Non-Scheduled Urban Co-operative Banks.
III. Rural co-operatives are divided into Long Term and Short Term credit structures.
IV. A co-operative bank operating in more than one state is registered under the Multi-State Co-operative Societies Act, 2002.
V. The Banking Regulation (Amendment) Act 2020 reduced the RBI's power over co-operative banks to enhance state autonomy.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2021

52. Match the powers of the Government in List-I with the corresponding Sections of the Banking Regulation Act in List-II.
List I: Government Powers
P. Appeal against cancellation of banking license
Q. Power to acquire undertakings of banks
R. Appointment of court liquidator attached to the High Court
S. Appeal against removal of managerial personnel exercised by RBI
List II: Sections of the Banking Regulation Act
1. Section 10B and 36AA
2. Section 36AE
3. Section 38A
4. Section 22
(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2010

53. Which of the following pairs concerning the applicability of the Banking Regulation Act is incorrectly matched?
(A) Came into force - 16 March 1949
(B) Became applicable to Jammu and Kashmir - 1956
(C) Made applicable to Co-operative Banks (Section 56 added) - 1980
(D) Name changed to Banking Regulation Act - 1st March 1966

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May/June 2005

54. Which of the following objectives summarize the purpose of the Banking Regulation Act?

I. Provide specific legislation to the business of banking in India.
II. Prevent bank failures by prescribing minimum capital requirements.
III. Ensure balanced development and growth of banking companies.
IV. Transfer all banking assets to the central government.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2022

55. According to Section 3 of the Banking Regulation Act, which of the following entities are exempted from the application of the Act, provided they do not use specific banking terms in their names and do not act as drawees of cheques?

I. A primary agricultural credit society.
II. A co-operative society whose primary business is providing long-term finance for agricultural development.
III. A primary co-operative bank operating in urban areas.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2018

56. Match the Sections of the Banking Regulation Act, 1949 in List-I with their corresponding provisions in List-II.

List I: Sections of the Banking Regulation Act

P. Section 7
Q. Section 8
R. Section 9
S. Section 22

List II: Provisions

1. Restrictions on use of the word "bank"
2. Disposal of non-banking assets
3. Licensing for carrying on banking business
4. Prohibition of trading activities

(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2016

57. Consider the following statements regarding the disposal of non-banking assets and property by a bank under Section 9 of the Banking Regulation Act:

I. A bank is prohibited from holding immovable property however acquired.
II. Property acquired in satisfaction of claims must be disposed of within seven years.
III. The seven-year disposal period applies from the date of acquisition or commencement of the Act, whichever is later.
IV. A bank may deal or trade in such property within the seven-year period to facilitate its disposal.
V. The Reserve Bank may extend the disposal period for a maximum of an additional five years if it is in the depositors' interests.

Which of the above statement(s) is/are correct?

(A) II, III, IV, and V only
(B) I, II, III, and V only
(C) I, III, IV, and V only
(D) I, II, IV, and V only

May/June 2014

58. Which of the following pairs concerning the composition of the Central Board of Directors of the RBI is incorrectly matched?

(A) Government officials - Four officials nominated by the central government
(B) Deputy Governors - Not more than four appointed by the central government
(C) Directors from local boards - Four directors nominated by the central government
(D) Other directors - Ten directors nominated by the central government

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Oct/Nov 2007

59. Which of the following statements concerning the use of the word "bank" under Section 7 of the Banking Regulation Act are correct?

I. Every banking company must use the word "bank" as part of its name.
II. No firm or individual is permitted to use the words "bank", "banking", or "banking company" for business purposes.
III. Subsidiaries of banks are exempted from this restriction.
IV. Primary Credit Societies are strictly prohibited from using the word "bank" in

their names.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2025

60. Consider the following statements regarding the regulatory tools of the RBI:

I. RBI makes a comprehensive risk assessment under 'Risk Based Supervision' through a program called SPARC.
II. The Depositor Education and Awareness Fund (DEAF) takes over operative deposit accounts that maintain high balances for over ten years.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2019

61. A newly formed private limited company, focusing on micro-lending, registers its name as "Apex Banking Services Pvt. Ltd." without obtaining a banking license from the RBI. The regulatory authorities issue a notice to the company to change its name. Which legal provision restricts the company from using this name?

(A) Section 6(1) of the Banking Regulation Act
(B) Section 22 of the RBI Act
(C) Section 7 of the Banking Regulation Act
(D) Section 56 of the Banking Regulation Act

May/June 2009

62. A large foreign banking company incorporated in Europe establishes several branches in metropolitan cities across India to conduct banking business. In a legal dispute regarding corporate compliance in India, which primary Indian corporate statute will consider and treat this entity as a foreign company?

(A) Section 2(42) of the Companies Act, 2013
(B) The Foreign Exchange Management Act, 1999
(C) The Multi-State Co-operative Societies Act, 2002
(D) The Banking Companies (Acquisition and Transfer) Act

Oct/Nov 2011

63. The following question consists of two statements – Assertion (A) and Reason (R). Answer this question selecting the appropriate option:

Assertion (A): A primary agricultural credit society is strictly governed by all provisions of the Banking Regulation Act, 1949.

Reason (R): Section 3 of the Banking Regulation Act specifically exempts primary agricultural credit societies from its application, provided they do not use the word "bank" in their names and do not act as drawees of cheques.

(A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(C) (A) is true, but (R) is false.
(D) (A) is false, but (R) is true.

May/June 2010

64. A State Co-operative Bank, operating entirely within the boundaries of a single state, is found to have severe mismanagement leading to a threat to depositors' interests. The RBI decides to supersede the Board of Directors of the bank to initiate a revival plan. Which legislative change explicitly provided the RBI with enhanced powers to supersede the board of a cooperative bank?

(A) The Banking Regulation (Amendment) Act, 2020
(B) The Multi-State Co-operative Societies Act, 2002
(C) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
(D) The Deposit Insurance and Credit Guarantee Corporation Act

Oct/Nov 2024

65. The following question consists of two statements – Assertion (A) and Reason (R). Answer this question selecting the appropriate option:

Assertion (A): A banker is legally bound to open a deposit account for anyone who offers money for such purpose.

Reason (R): The opening of deposit accounts is subject to the fulfillment of conditions like proper identification and compliance with Know Your Customer (KYC) norms.

(A) Both (A) and (R) are true, and (R) is the

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correct explanation of (A).
(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(C) (A) is true, but (R) is false.
(D) (A) is false, but (R) is true.

May/June 2017

66. A customer realizes they have a savings account in a commercial bank that has been completely inoperative for 12 years, and the bank has transferred the unclaimed funds to a specific regulatory pool. Which fund, established under the Amending Act of 2012, took over this inoperative deposit?
(A) Strategic Restructuring Fund
(B) Depositor Education and Awareness Fund (DEAF)
(C) Sovereign Wealth Fund
(D) Banking Stability Fund

Oct/Nov 2005

67. Heritage Commercial Bank acquired a large commercial building in settlement of a defaulted corporate loan. The bank held onto the property for eight years, hoping its market value would appreciate, without seeking any regulatory extension. The regulator directs the bank to immediately dispose of the asset. Which regulatory rule has the bank violated?
(A) Section 6 of the BR Act, which prohibits acquiring real estate assets for any reason other than direct operational use by the bank.
(B) Section 35AA of the BR Act, which requires immediate insolvency resolution of all defaulted loans within a specific timeframe.
(C) Section 9 of the BR Act, which mandates disposal of non-banking immovable property within seven years unless an extension is granted.
(D) Section 45MBA of the RBI Act, governing property reconstruction and the management of stressed assets within the financial system.

May/June 2020

68. The following question consists of two statements – Assertion (A) and Reason (R). Answer this question selecting the appropriate option:
Assertion (A): There is a dual control of State Governments and the Reserve Bank over co-operative banks operating in one state only.
Reason (R): The formation and management of such co-operative societies rest with the State Government, while licensing and regulation of their banking business rest with the Reserve Bank.
(A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(C) (A) is true, but (R) is false.
(D) (A) is false, but (R) is true.

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Oct/Nov 2015

69. A Primary Agricultural Credit Society (PACS) provides short-term credit to farmers in a rural district. The society decides it wants to offer cheque-clearing facilities and print cheque books for its farmer members. Based on Section 3 of the Banking Regulation Act (as amended in 2020), what is the legal position of the PACS regarding this action?
(A) It can act as a drawee of cheques provided it obtains a formal No Objection Certificate from the relevant State Government department.
(B) It can issue cheques only if the total withdrawal amount per farmer is maintained below a specified regulatory threshold of Rs. 10,000.
(C) It is legally compelled by the RBI to issue cheques to modernize rural banking and ensure the society remains competitive in the market.
(D) It is prohibited from acting as a drawee of cheques if it wishes to remain exempted from the provisions of the BR Act.

May/June 2013

70. The Reserve Bank of India cancels the banking license of a scheduled commercial bank due to inadequate capital reserves. The aggrieved bank decides to file an appeal against this cancellation to a higher authority. To which authority must the bank prefer this appeal?
(A) The Supreme Court of India
(B) The Securities and Exchange Board of India (SEBI)
(C) The Central Government
(D) The State Government where the bank is headquartered

Oct/Nov 2021

71. The following question consists of two statements – Assertion (A) and Reason (R). Answer this question selecting the appropriate option:
Assertion (A): A banking company is prohibited from engaging directly or indirectly in trading activities, such as buying or selling goods for profit.
Reason (R): Section 8 of the Banking Regulation Act prohibits a banking company from undertaking trading risks to ensure the safety of depositor funds.
(A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(C) (A) is true, but (R) is false.
(D) (A) is false, but (R) is true.

May/June 2024

72. Global Trust Bank acquires a significant quantity of raw cotton from the commodities market with the intention of selling it later when prices rise, to generate trading profit. During an inspection, the RBI penalizes the bank for this activity. What is the legal basis for the RBI's penalty?
(A) The bank must first obtain formal permission from the Securities and Exchange Board of India (SEBI) before trading in agricultural commodities.
(B) Raw cotton is classified as a specific type of actionable claim, which commercial banks are not permitted to hold under current regulations.
(C) Banks are only permitted to trade in bullion and specie, not agricultural commodities, regardless of the potential for generated profits.
(D) Buying and selling of goods for trading profit violates the prohibited business clauses under Section 8 of the Banking Regulation Act.

Oct/Nov 2008

73. A district central co-operative bank operating entirely within Gujarat is facing severe operational issues. The Registrar of Co-operative Societies plans to intervene in its management. Simultaneously, the RBI intends to take action regarding its banking license. What describes the regulatory framework governing this situation?
(A) The bank is subject exclusively to the RBI Act, rendering the Registrar's powers void in matters of management and administration.
(B) The bank operates under a dual control system where management is regulated by state co-operative law and banking business by the RBI.
(C) The bank must immediately convert into a Scheduled Commercial Bank to resolve the conflict between the state and central regulatory authorities.
(D) The Central Government must supersede both the RBI and the Registrar to directly manage the bank through a specially appointed administrator.

May/June 2006

74. Due to an unprecedented liquidity crisis among Non-Banking Financial Companies (NBFCs), the Central Government decides to intervene and formally issue specific directions to the RBI regarding capital requirements, citing public interest. Under which legal provision does the Central Government exercise this power?
(A) Section 30 of the RBI Act
(B) Section 35AA of the Banking Regulation Act
(C) Section 6(1) of the Banking Regulation Act
(D) Section 7(1) of the RBI Act

Oct/Nov 2017

75. M/s XYZ Financials, a non-banking private firm, launches a scheme allowing the public to deposit money that can be withdrawn using custom-printed cheque books issued by the firm. The Reserve Bank of India intervenes and orders the firm to cease this operation immediately. Under which statutory provision is the RBI's intervention justified?
(A) Section 49A of the Banking Regulation Act
(B) Section 7 of the Banking Regulation Act
(C) Section 8 of the Banking Regulation Act
(D) Section 45-IA of the RBI Act

May/June 2008

76. An RBI-regulated NBFC experiences severe governance issues, and its statutory auditor repeatedly fails to comply with the directions issued by the RBI regarding financial disclosures. The RBI decides to debar the auditor from exercising duties for regulated entities. Under

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which specific section does the RBI exercise this newly inserted power?
(A) Section 45-IA of the RBI Act
(B) Section 45-IE of the RBI Act
(C) Section 45MBA of the RBI Act
(D) Section 45MAA of the RBI Act

Oct/Nov 2013

77. The Reserve Bank of India observes that a major corporate borrower has defaulted on its massive debt obligations to multiple banking companies. To ensure swift recovery, the RBI issues directions to the lending banks to initiate the insolvency resolution process against the defaulter under the Insolvency and Bankruptcy Code, 2016. Which sections of the BR Act authorize the RBI to issue such directions?
(A) Sections 10B and 36AA
(B) Sections 4 and 53
(C) Sections 35AA and 35AB
(D) Sections 22 and 24

May/June 2015

78. The following question consists of two statements – Assertion (A) and Reason (R). Answer this question selecting the appropriate option:
Assertion (A): The Central Government has the power to issue directions to the Reserve Bank of India in matters of public interest.
Reason (R): Under Section 7(1) of the RBI Act, the Government of India has been conferred with powers to give directions to the RBI whenever considered important in public interest, in consultation with the Governor of RBI.
(A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(C) (A) is true, but (R) is false.
(D) (A) is false, but (R) is true.

Oct/Nov 2012

79. A prominent Non-Banking Financial Company (NBFC) submits a compliance report showing its net owned funds are Rs. 15 crores. The RBI issues a notice demanding the NBFC to infuse more capital to meet the revised regulatory thresholds. Based on the Finance (No. 2) Act 2019 amendments, what is the required limit of net owned funds the NBFC must meet?
(A) Rs. 2 crores
(B) Rs. 50 crores
(C) Rs. 100 crores
(D) Rs. 200 crores

May/June 2011

80. National Commercial Bank wishes to raise additional tier-1 capital by issuing equity shares to the public. While preparing for the public issue, the bank's legal team advises that besides RBI regulations, they must strictly adhere to another regulator's guidelines. Which authority's guidelines must the bank comply with for this public issue?
(A) Securities and Exchange Board of India (SEBI)
(B) Insurance Regulatory and Development Authority (IRDA)
(C) Deposit Insurance and Credit Guarantee Corporation (DICGC)
(D) Registrar of Co-operative Societies

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ANSWERS

1. (C) Rs. 100 crores
The Finance (No. 2) Act 2019 introduced significant amendments to the Reserve Bank of India Act, 1934, specifically targeting the regulatory framework for Non-Banking Finance Companies. One major change involves the enhancement of the net owned funds requirement to one hundred crore rupees. This move aims to strengthen the financial resilience and stability of these institutions.

2. (C) The Act extensively details the operational licensing, daily functioning, and liquidation processes of all commercial banks in India.
The Reserve Bank of India Act, 1934, primarily focuses on regulating note issuance and maintaining monetary stability. While it addresses cash reserves for scheduled banks under Section 42, the detailed operational aspects like licensing, daily functioning, and liquidation of commercial banks are actually governed by the Banking Regulation Act, 1949, rather than the original Reserve Bank of India Act.

3. (C) An institution that offers funds to banks or financial institutions experiencing financial difficulty, considered highly risky, or near bankruptcy.
The Reserve Bank of India serves as the lender of last resort within the Indian financial system. This critical function ensures that banks or financial institutions facing severe liquidity crises or near-bankruptcy can access necessary funding. By providing this support, the central bank maintains overall financial stability and protects the broader economy from the risks of systemic collapse.

4. (C) To establish and operate all cooperative societies across the nation.
The Banking Regulation Act, 1949, was established to provide specific legislation for banking businesses, prevent bank failures through capital requirements, and safeguard depositor interests. However, it does not function as the primary authority for establishing or operating cooperative societies. Those entities are typically governed by state-specific cooperative laws or the Multi-State Co-operative Societies Act, depending on their operations.

5. (B) They are constituted as per statutes abroad, treated as such under section 2(42) of the Companies Act, 2013, and governed by the Banking Regulation Act and the RBI Act.
Foreign banking companies operating in India are constituted according to statutes in their home countries. Within the Indian legal framework, they are recognized as foreign companies under Section 2(42) of the Companies Act, 2013. Their banking operations are strictly governed by the Banking Regulation Act, 1949, and the Reserve Bank of India Act, 1934, like other banks.

6. (B) When it is considered important in public interest, such as issues regarding liquidity for NBFCs or capital requirements for weak banks.
Section 7(1) of the Reserve Bank of India Act, 1934, grants the Central Government power to issue directions to the Reserve Bank after consultation with the Governor. This authority is reserved for matters of significant public interest. Common examples include addressing liquidity issues for Non-Banking Financial Companies or determining capital requirements for banks to maintain systemic financial stability.

7. (B) The accepting, for the purpose of lending or investing, of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.
The legal definition of banking under Section 5(b) of the Banking Regulation Act, 1949, emphasizes the acceptance of monetary deposits from the general public. These funds must be accepted specifically for the purposes of lending or investment. Furthermore, such deposits must be repayable on demand or otherwise and withdrawable through cheques, drafts, or other specified payment orders.

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8. (B) It became applicable in Jammu and Kashmir from the year 1956.
The Banking Regulation Act, 1949, originally had limited geographical applicability. While the statute was enacted on 16 March 1949, its provisions were not immediately extended to all parts of the country. The Act was formally extended to the state of Jammu and Kashmir in 1956, bringing banking entities operating in that region under the national regulatory framework.

9. (B) A private firm engaged in providing micro-loans and accepting small deposits.
Section 7 of the Banking Regulation Act restricts the use of words like "bank," "banker," or "banking" to authorized banking companies. While subsidiaries and associations of banks are exempted, private firms or individuals cannot use these terms unless licensed. A private firm providing micro-loans and accepting deposits without a license is not exempted and must adhere to these name restrictions.

10. (C) To protect banks from frauds and monitor suspicious transactions for anti-money laundering and combating the financing of terrorism.
Know Your Customer norms are mandatory procedures that banks must follow before opening accounts. The primary purpose of these guidelines is to protect banking institutions from fraud and financial crimes. By identifying customers accurately, banks can monitor for suspicious transactions, effectively implementing anti-money laundering measures and preventing the financing of illegal activities like terrorism across the financial system.

11. (D) It must comply with the guidelines issued by the Securities and Exchange Board of India (SEBI).
When a banking company intends to raise capital through a public issue, it must navigate multiple regulatory layers. While the bank is regulated by the Reserve Bank of India, public offerings of shares or debentures fall under the jurisdiction of the Securities and Exchange Board of India. Therefore, the bank must strictly comply with all guidelines and regulations issued by SEBI.

12. (B) 1st March 1966
The primary legislation governing banking in India was originally enacted as the Banking Companies Act, 1949. To reflect a broader regulatory scope, the title of the statute was officially changed to the Banking Regulation Act, 1949. This significant nomenclature change came into effect on 1st March 1966, following amendments that expanded the Act's application to various categories of banks.

13. (A) Any co-operative society, including those formed by employees of a non-banking company, is freely permitted to use the word "bank" in its name.
Section 7 and Section 56 of the Banking Regulation Act prohibit entities from using the word "bank" unless they are licensed banking companies. While subsidiaries and associations of banks have specific exemptions, co-operative societies are generally restricted from using banking derivatives in their names if they do not meet the criteria of a co-operative bank under the regulatory framework.

14. (C) No person other than a banking company, the RBI, the SBI, or any other notified banking institution is authorized to accept deposits withdrawable by cheque.
Section 49A of the Banking Regulation Act explicitly restricts the acceptance of deposits withdrawable by cheque. This authority is reserved exclusively for banking companies, the Reserve Bank of India, the State Bank of India, or other institutions specifically notified by the Central Government. This provision ensures that only regulated entities with appropriate oversight can offer cheque-based withdrawal facilities to the public.

15. (D) When a bank or financial institution faces financial difficulty, a 'run' on the bank, or a liquidity crisis that could dramatically affect the financial system.
The Reserve Bank of India acts as the lender of last resort to maintain financial stability. This intervention is most appropriate when a bank or financial institution experiences a severe liquidity crisis or a 'run' by depositors. By providing emergency funds during such distressed periods, the RBI prevents systemic failures and maintains

NODIA

public confidence in the overall banking and financial infrastructure.

16. (A) A bank that is included in the Second Schedule of the Reserve Bank of India Act, satisfying the criteria mentioned in Section 42(6)(a).
Under the Reserve Bank of India Act, 1934, a scheduled bank is defined as one that has been included in the Second Schedule. To be listed, a bank must satisfy specific criteria laid out in Section 42(6)(a), including maintaining a certain level of paid-up capital and reserves. These banks enjoy certain privileges and are subject to specific regulatory requirements.

17. (A) Exemption of a bank from the requirement to adhere to the core objectives of the Companies Act, 2013 regarding general corporate meetings.
The Central Government possesses various appellate and regulatory powers over banks, including hearing appeals against license cancellations or the removal of managerial personnel. It also holds authority regarding the suspension of operations. However, the government does not typically exercise powers to exempt individual banks from fundamental corporate governance requirements, such as holding general meetings as mandated by the Companies Act.

18. (C) FY 2017-18
The consolidation of the Indian banking sector involved the historic merger of several subsidiary banks with their parent entity. The process of merging the remaining five associate banks into the State Bank of India was a significant structural reform. This massive integration of assets, branches, and operations was successfully completed during the financial year 2017-18, creating a larger banking powerhouse.

19. (D) The exempted societies under Section 3 are fully authorized to act as drawees of cheques for their members.
Section 3 of the Banking Regulation Act provides exemptions for primary agricultural credit societies and certain agricultural development societies. However, for these exemptions to remain valid, these societies are strictly prohibited from using banking terms like "bank" or "banker" in their names. Crucially, they are also not permitted to act as drawees of cheques for their members under this exemption.

20. (A) It includes a Governor, not more than four deputy governors, four directors from local boards, ten directors nominated by the central government, and two government officials.
The Central Board of Directors manages the affairs of the Reserve Bank of India. The composition consists of a Governor and up to four Deputy Governors. Additionally, the Central Government nominates ten directors from various fields, two government officials, and four directors to represent the local boards. This diverse structure ensures balanced governance and professional oversight of India's central banking functions.

21. (C) The bank is considered to be in violation of Section 9 of the Banking Regulation Act unless an extension of up to five years is granted by the RBI.
Section 9 of the Banking Regulation Act requires banks to dispose of immovable property acquired through claims within seven years. If a bank fails to sell the property within this timeframe, it violates the statute. However, the Reserve Bank of India has the authority to grant an extension of up to five years if it is deemed in the depositors' interest.

22. (C) Seven years
Under Section 9 of the Banking Regulation Act, a banking company is generally prohibited from holding immovable property except for its own use. When a bank acquires such property in satisfaction of its claims, it must dispose of it within an initial maximum period of seven years. This rule ensures that banks do not engage in long-term real estate holding or speculation.

23. (D) The formation and management are controlled by the State Government, while licensing and regulation of banking business rest with the Reserve Bank of India.
Dual control of co-operative banks refers to the shared jurisdiction between state authorities and the central regulator. For banks operating within one state, the State Government controls formation, registration, and administrative management. Meanwhile, the Reserve Bank of India is responsible for licensing and the actual

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regulation of banking business, ensuring these entities follow sound financial and prudential norms nationally.

24. (D) Power to independently nationalize any NBFC without consulting the Central Government.
The Finance (No. 2) Act 2019 significantly expanded the RBI's powers over NBFCs, including debarring auditors, framing schemes for amalgamation or reconstruction, and demanding information about group companies. These measures enhance regulatory oversight. However, the power to nationalize a financial entity remains a sovereign decision of the Central Government and was not granted to the RBI as an independent authority.

25. (B) A bank is legally obligated to accept deposits of money from any member of the public without exception.
While the primary business of banking involves accepting public deposits for lending or investment, banks are not legally bound to accept every person who offers money. Banking institutions have the right to refuse opening accounts for undesirable persons. This discretion is exercised to comply with Know Your Customer norms and to prevent the misuse of the banking system for illegal activities.

26. (D) Every kind of moveable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in Clause (a) of sub-Section (1) of Section 6.
In the context of Section 8 of the Banking Regulation Act, the term "goods" is specifically defined to clarify the scope of the trading prohibition. It encompasses all moveable property, excluding certain financial instruments. Specifically, it does not include actionable claims, stocks, shares, money, bullion, or specie. This distinction allows banks to deal in financial assets while preventing them from general merchandise trading.

27. (A) It increased the powers of the RBI to better regulate these entities, including management, capital, audit, and liquidation.
The Banking Regulation (Amendment) Act, 2020, significantly strengthened the Reserve Bank's oversight of co-operative banks. By bringing these banks more closely under the central regulator's umbrella, the amendment granted the RBI enhanced powers regarding management, capital requirements, auditing standards, and liquidation processes. This change aims to improve the professional management and financial stability of the co-operative banking sector.

28. (A) To ensure banks do not undertake trading risks directly or indirectly.
Section 8 of the Banking Regulation Act explicitly prohibits banking companies from engaging in the buying and selling of goods for profit. The fundamental rationale behind this restriction is to ensure that banks focus on financial intermediation and do not expose depositor funds to direct or indirect trading risks. This maintains the safety and liquidity necessary for a stable banking institution.

29. (C) Engaging directly or indirectly in trading activities and undertaking trading risks.
Section 6(1) of the Banking Regulation Act outlines several permitted activities for banks, such as dealing in bills of exchange, providing guarantees, and acting as executors or trustees. However, Section 8 of the same Act specifically prohibits banks from engaging in trading activities or undertaking trading risks. This ensures that the core business of banking remains separate from general commercial trade.

30. (D) They are constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the corresponding Act of 1980.
Public Sector Banks in India, excluding the State Bank of India, were primarily formed through the process of nationalization. These entities are constituted and governed under specific statutes, namely the Banking Companies (Acquisition and Transfer of Undertakings) Act of 1970 and the subsequent Act of 1980. These laws facilitated the transfer of private banking undertakings to the central government.

31. (A) P-2, Q-3, R-1, S-4
Section 56 of the Banking Regulation Act modifies existing provisions for co-operative societies. Under these rules, "banking company" refers to a co-operative bank, and "commencement of this Act" refers to the 1965 amendment. Additionally,

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references to a "memorandum of association" are interpreted as "bye-laws," and the "Registrar of Companies" is replaced by the "Registrar of Co-operative Societies" for regulatory purposes.

32. (A) I and II only
The Reserve Bank of India holds extensive regulatory and supervisory powers over the banking sector. Key authorities include the power to issue or cancel banking licenses and the power to impose penalties for non-compliance with regulations. However, the appointment of the Central Government's Finance Minister is a constitutional political process and does not fall under the jurisdiction or powers of the RBI.

33. (A) P-2, Q-3, R-1, S-4
Various legislative frameworks govern the financial and corporate sectors in India. The Companies Act was updated in 2013, while the State Bank (Subsidiary Banks) Act dates back to 1959. The Multi-State Co-operative Societies Act was enacted in 2002 to govern societies operating across borders, and the Regional Rural Banks Act was established in 1976 to create specialized rural credit institutions.

34. (D) I, II, III, and IV
Banking operations in India are subject to oversight from multiple authorities depending on the specific activity. The RBI regulates banking business, while SEBI oversees securities transactions for listed banks. The Central Government holds ultimate regulatory and appellate authority. Furthermore, labor authorities govern terms of service for bank employees, meaning all these bodies exert significant regulatory control over banks.

35. (B) Only II
Although banking involves accepting deposits from the public, it does not mean a banker must accept funds from every individual without exception. Banks possess the legal right to refuse opening accounts for undesirable persons or those who fail to meet essential criteria. This refusal is justified by the requirement to comply with Know Your Customer norms and prevent potential financial crimes.

36. (A) I, II, III, and IV only
The Central Government holds significant powers over the banking system, including issuing directions to the RBI in public interest and hearing appeals against license cancellations or managerial removals. While the government is the sole shareholder of the RBI, it does not typically conduct Annual Financial Inspections directly. Those specialized inspections are generally the responsibility of the Reserve Bank's supervisory departments.

37. (A) III, II, IV, I
The chronological enactment of key Indian banking statutes begins with the Reserve Bank of India Act in 1934. This was followed by the Banking Regulation Act (originally the Banking Companies Act) in 1949. The State Bank of India Act was subsequently passed in 1955. Finally, the Regional Rural Banks Act was enacted in 1976 to address specific rural credit requirements across the country.

38. (D) I, II, and III
Section 6(1) of the Banking Regulation Act permits banking companies to engage in various financial activities beyond simple lending. These include dealing in bills of exchange, which involves buying, selling, or accepting them. Furthermore, banks are legally allowed to undertake the administration of estates as executors or trustees and carry on various types of guarantee and indemnity business.

39. (D) I, II, III, and IV
Banks in India are established under diverse legal frameworks. Some are body corporates formed via special statutes like the SBI Act. Private sector banks are typically registered under the Companies Act. Co-operative banks fall under state or central co-operative enactments. Additionally, foreign banks operating in India are legally treated as foreign companies constituted under the statutes of their respective home countries.

40. (D) Section 45NAA - Directing an NBFC to furnish information relating to group companies
The Finance (No. 2) Act 2019 introduced several new sections to the RBI Act to strengthen NBFC regulation. Section 45NAA specifically empowers the RBI to direct an NBFC to furnish

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information regarding its group companies. Other sections, such as 45-IE and 45MBA, handle board supersession and amalgamation schemes, while 45MAA provides powers to debar auditors from regulated entities.

41. (D) I, II, III, IV, and V
Banks must comply with diverse regulators. Company matters are governed by the Ministry of Corporate Affairs, while labor authorities handle service terms for workmen. Tax authorities oversee income tax and GST compliance. SEBI regulates securities dealings, and the Insurance Regulatory and Development Authority (IRDA) provides the rules for banks engaged in insurance business. All these regulatory pairings are correct.

42. (C) P-3, Q-1, R-4, S-2
Recent amendments to the RBI Act introduced specific sections for NBFC oversight. Section 45MAA gives the RBI power to remove or debar auditors. Section 45-IE allows for superseding the board of a regulated NBFC. Section 45MBA provides a framework for amalgamation or reconstruction. Lastly, Section 45NAA empowers the RBI to demand information regarding the group companies of an NBFC.

43. (A) I and II only
The Finance (No. 2) Act 2019 granted the Reserve Bank of India enhanced powers to oversee Non-Banking Financial Companies. These include the authority to replace directors, supersede an institution's board, and remove or debar auditors for non-compliance. However, the power to issue currency notes remains a specialized central banking function and was not extended to any Non-Banking Financial Companies.

44. (B) Only II
Section 9 of the Banking Regulation Act mandates that a banking company cannot hold immovable property, other than for its own use, for more than seven years. While the seven-year rule is standard, the Reserve Bank of India has the discretionary power to extend this period for up to five additional years if it believes the extension protects the depositors' interests.

45. (A) I, II, III, and IV only
Amendments in 2019 enhanced the net owned funds limit for NBFCs to Rs. 100 crores and granted the RBI power to replace directors or supersede boards. The RBI can also frame schemes for amalgamation. While the RBI can debar auditors, the maximum period for such debarment specified under Section 45MAA is three years, rather than ten years.

46. (A) III, II, IV, I
The Banking Regulation Act came into force in 1949 and was extended to Jammu and Kashmir in 1956. Subsequently, the Act was made applicable to co-operative banks through the addition of Section 56. The final major chronological milestone in this sequence was the official change of the statute's name to the Banking Regulation Act, 1949, which occurred in 1966.

47. (A) I, II, and III only
Section 56 modifies the Banking Regulation Act for co-operative societies by treating "banking company" as "co-operative bank" and "commencement" as the 1965 Act's start. "Memorandum of association" is construed as "bye-laws." However, "Registrar of Companies" is not ignored; rather, it is construed as a reference to the "Registrar of Co-operative Societies" to ensure appropriate administrative mapping within the sector.

48. (B) Section 22 - Right to issue Bank Notes
Under the Reserve Bank of India Act, 1934, various sections define the central bank's core functions and structure. Section 22 specifically grants the Reserve Bank of India the exclusive right to issue bank notes in India. Other sections handle different matters, such as Section 3 establishing the bank and Section 8 detailing the composition of the Central Board of Directors.

49. (A) I and II only
The Central Government possesses specific regulatory roles under the Banking Regulation Act. It can notify additional businesses a bank may engage in under Section 6(1) and approve the formation of subsidiaries under Section 19. However, the issuance of bank notes is an exclusive function of the Reserve Bank of India under the RBI Act and is not performed by the government.

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50. (B) Only II
Public Sector Banks were established under the Acquisition and Transfer of Undertakings Acts of 1970 and 1980, not the Companies Act. However, private sector banks are typically structured as companies, registered under the Companies Act of 1956 or the subsequent 2013 Act. This corporate structure allows them to operate as commercial entities while remaining subject to specialized banking regulations.

51. (A) I, II, III, and IV only
Co-operative banks include urban entities, both scheduled and non-scheduled, and rural structures divided into short and long-term credit. Banks operating across multiple states are governed by the Multi-State Co-operative Societies Act. Importantly, the 2020 amendment increased, rather than reduced, the RBI's power over these institutions to ensure better regulation and depositor protection within the co-operative banking sector.

52. (D) P-4, Q-2, R-3, S-1
The Banking Regulation Act grants the Central Government specific authorities. Under Section 22, the government hears appeals against license cancellations. Section 36AE covers the power to acquire bank undertakings. Section 38A provides for the appointment of a court liquidator attached to the High Court. Lastly, Sections 10B and 36AA deal with appeals against the removal of bank managerial personnel.

53. (C) Made applicable to Co-operative Banks (Section 56 added) - 1980
The Banking Regulation Act came into force in 1949, was extended to Jammu and Kashmir in 1956, and renamed in 1966. However, the crucial amendment that added Section 56 to make the Act applicable to co-operative banks occurred in 1965, taking effect in 1966. The suggestion that this occurred in 1980 is factually incorrect regarding the legislative timeline.

54. (A) I, II, and III only
The Banking Regulation Act, 1949, was enacted to provide a specific legal framework for banking and prevent failures by setting minimum capital requirements. It aims to ensure balanced development and growth within the banking sector. However, transferring all banking assets to the central government is not an objective of the Act, as it regulates both private and public sector institutions.

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55. (A) I and II only
Section 3 of the Banking Regulation Act exempts primary agricultural credit societies and co-operative societies focused on long-term agricultural finance from its application. This exemption holds as long as they do not use restricted banking terms in their names and do not act as drawees of cheques. Primary co-operative banks, however, are not exempted and are subject to RBI regulation.

56. (B) P-1, Q-4, R-2, S-3
Key provisions of the Banking Regulation Act include Section 7, which restricts the use of the word "bank" in company names. Section 8 prohibits banks from engaging in trading activities. Section 9 outlines the mandatory disposal of non-banking assets like immovable property. Section 22 is fundamental as it requires a license from the Reserve Bank of India to conduct banking business.

57. (A) II, III, IV, and V only
Banks must dispose of immovable property acquired through claims within seven years. This period starts from the date of acquisition or the commencement of the Act. During this time, banks can deal with the property to facilitate disposal. While a general prohibition exists, banks may hold property for their own use. The RBI can extend the disposal period by five years.

58. (A) Government officials - Four officials nominated by the central government
The Central Board of the RBI has a specific composition defined by law. It includes a Governor and up to four Deputy Governors. Additionally, the government nominates ten directors and four directors from the local boards. However, the number of government officials nominated to the board is capped at two, rather than four, according to the Reserve Bank of India Act.

59. (A) I, II, and III only
Section 7 of the Banking Regulation Act mandates that every banking company use the word "bank" in its name. Conversely, no firm

or individual may use the word "bank" or its derivatives for business. While subsidiaries of banks are exempted, primary credit societies are also restricted from using the word "bank," similar to other co-operative societies that do not qualify as co-operative banks.

60. (A) Only I
The Reserve Bank of India uses the SPARC program for risk-based supervision and comprehensive assessment of banks. Regarding the Depositor Education and Awareness Fund, it takes over unclaimed deposits that have remained inoperative for a period of ten years or more. However, it does not take over active, high-balance accounts that are being operated by the respective account holders.

61. (C) Section 7 of the Banking Regulation Act
Section 7 of the Banking Regulation Act, 1949, prohibits any company, firm, or individual from using terms like "bank," "banker," or "banking" as part of their name unless they are a licensed banking company. Since the private firm in question lacks a banking license from the Reserve Bank of India, its use of "Banking Services" violates this specific statutory provision.

62. (A) Section 22(42) of the Companies Act, 2013
Foreign banking companies that operate branches in India are incorporated under statutes from their respective home countries. For the purpose of Indian corporate compliance, these entities are classified and treated as foreign companies under Section 2(42) of the Companies Act, 2013. This classification ensures they meet specific registration and reporting requirements while operating within the Indian financial and legal system.

63. (D) (A) is false, but (R) is true.
Primary agricultural credit societies are not strictly governed by all provisions of the Banking Regulation Act. Instead, Section 3 specifically exempts them from the Act's application. To maintain this exemption, these societies must adhere to certain conditions, such as not using the word "bank" in their name and refraining from acting as drawees of cheques for their members.

64. (A) The Banking Regulation (Amendment) Act, 2020
The Banking Regulation (Amendment) Act, 2020, was introduced to strengthen the Reserve Bank's oversight of co-operative banks. One of its most significant provisions gave the RBI expanded powers to supersede the Board of Directors of a co-operative bank in the public interest or to protect depositors. This legislative change aimed to address mismanagement and ensure better professional standards within these institutions.

65. (D) (A) is false, but (R) is true.
A banker is not legally obligated to open an account for everyone who offers money. Banks have the right to refuse opening accounts for individuals deemed undesirable. Furthermore, account opening is always contingent upon the prospective customer satisfying Know Your Customer norms and providing proper identification. These safeguards are essential for maintaining the integrity of the banking system and preventing fraud.

66. (B) Depositor Education and Awareness Fund (DEAF)
The Banking Laws (Amendment) Act, 2012, authorized the creation of the Depositor Education and Awareness Fund. This fund is specifically designed to receive and manage unclaimed money from bank accounts that have remained completely inoperative for ten years or more. Banks are required to transfer these balances to the fund, which is then utilized for promoting the interests of depositors.

67. (C) Section 9 of the BR Act, which mandates disposal of non-banking immovable property within seven years unless an extension is granted.
Section 9 of the Banking Regulation Act prohibits banks from holding immovable property acquired through claims for more than seven years. Since the bank held the building for eight years without obtaining an extension from the Reserve Bank of India, it is in direct violation of this provision. The rule prevents banks from engaging in speculative real estate holdings using depositor funds.

68. (A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
Co-operative banks operating within a single state are subject to dual control. This means

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that administrative matters, such as formation, registration, and management, fall under the jurisdiction of the State Government. However, the banking business itself, including licensing and financial regulation, is overseen by the Reserve Bank of India. This structure ensures that both cooperative principles and banking standards are maintained.

69. (D) It is prohibited from acting as a drawee of cheques if it wishes to remain exempted from the provisions of the BR Act.
Under Section 3 of the Banking Regulation Act, a primary agricultural credit society is exempted from the Act's provisions. However, this exemption is conditional. If the society acts as a drawee of cheques, it essentially functions as a bank and loses its exempt status. Therefore, the society must refrain from providing cheque-clearing facilities to remain outside the scope of the Act.

70. (C) The Central Government
If a banking company is aggrieved by the Reserve Bank of India's decision to cancel its banking license under Section 22 of the Banking Regulation Act, it has a legal remedy. The bank can prefer an appeal against the cancellation order. The designated authority for hearing and deciding such appeals against the RBI's licensing decisions is the Central Government of India.

71. (A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
Section 8 of the Banking Regulation Act prohibits banking companies from engaging in the direct or indirect trading of goods. This restriction is fundamentally designed to prevent banks from undertaking commercial trading risks that could jeopardize the safety of depositor funds. By keeping banking separate from general trade, the law ensures that financial institutions focus on their core roles of lending and investment.

72. (D) Buying and selling of goods for trading profit violates the prohibited business clauses under Section 8 of the Banking Regulation Act.
Section 8 of the Banking Regulation Act strictly prohibits banking companies from engaging in the business of buying and selling goods for profit. While banks can deal in financial instruments, bullion, and specie, trading in commodities like raw cotton for profit is considered an unauthorized activity. Such trading activities expose the bank to unnecessary risks, leading to penalties during regulatory inspections.

73. (B) The bank operates under a dual control system where management is regulated by state co-operative law and banking business by the RBI.
Co-operative banks operating in a single state are governed by a dual control mechanism. The state's Registrar of Co-operative Societies manages administrative and organizational aspects based on state laws. Concurrently, the Reserve Bank of India regulates the banking activities and licensing of the institution. This system allows for local cooperative oversight while maintaining national standards for banking operations and depositor safety.

74. (D) Section 7(1) of the RBI Act
Section 7(1) of the Reserve Bank of India Act, 1934, empowers the Central Government to issue binding directions to the RBI in the public interest. This power is exercised after consultation with the Governor of the RBI. It is typically utilized during significant financial situations, such as systemic liquidity crises, to ensure the central bank's policies align with the government's public interest objectives.

75. (A) Section 49A of the Banking Regulation Act
Section 49A of the Banking Regulation Act explicitly restricts the acceptance of deposits withdrawable by cheque. This privilege is reserved for banking companies, the RBI, the SBI, and other institutions specifically notified by the government. Since the firm in question is a non-banking private entity without such authorization, its cheque-withdrawal scheme is illegal, justifying the Reserve Bank of India's immediate intervention.

76. (D) Section 45MAA of the RBI Act
Section 45MAA was recently inserted into the Reserve Bank of India Act, 1934, to enhance oversight of Non-Banking Financial Companies. This section specifically empowers the RBI to remove or debar a statutory auditor from exercising duties for any RBI-regulated entity for a period of up to three years. This action is taken

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if the auditor fails to comply with regulatory directions or disclosures.

77. (C) Sections 35AA and 35AB
Sections 35AA and 35AB of the Banking Regulation Act provide the RBI with specific powers regarding insolvency and stressed assets. Section 35AA allows the Central Government to authorize the RBI to direct banks to initiate the insolvency resolution process under the Insolvency and Bankruptcy Code. Section 35AB further empowers the RBI to issue directions to banks for the effective resolution of stressed assets.

78. (A) Both (A) and (R) are true, and (R) is the correct explanation of (A).
Under Section 7(1) of the RBI Act, the Central Government has the authority to issue directions to the Reserve Bank of India on matters of public interest. This legal provision requires the government to consult with the Governor before issuing such directions. This power ensures that the central bank's actions can be aligned with broader national interests when the government deems it necessary.

79. (C) Rs. 100 crores
The Finance (No. 2) Act 2019 introduced an amendment to Section 45-IA of the RBI Act, significantly increasing the net owned funds requirement for Non-Banking Financial Companies. The revised limit was set at one hundred crore rupees. NBFCs that do not meet this enhanced threshold must take steps to infuse additional capital to comply with the updated regulatory standards for financial stability.

80. (A) Securities and Exchange Board of India (SEBI)
While banks are primarily regulated by the Reserve Bank of India for their banking operations, they must adhere to the rules of other regulators for different activities. When a banking company issues equity shares to the public, it is entering the capital market. Consequently, it must strictly comply with the guidelines and disclosure requirements set by the Securities and Exchange Board of India.

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CHAPTER 02

Control Over Organisation of Banks

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May/June 2016

1. Consider the following milestones in the evolution of the Licensing Policy for Universal Banks:

I. RBI issued Guidelines for licensing of new banks extending geographic coverage.

II. 'Draft Guidelines for on tap Licensing of Universal Banks in the Private Sector' released for comments.

III. RBI published a policy discussion paper titled 'Banking Structure in India – The Way Forward'.

IV. 'Guidelines for on tap licensing of Universal Banks in the Private Sector' were formally published.

Which of the following represents the correct chronological order?

(A) I, II, III, IV
(B) III, I, II, IV
(C) III, II, I, IV
(D) I, III, II, IV

Oct/Nov 2009

2. According to Section 12(1) of the Banking Regulation Act, there is a proportional relationship stipulated among different forms of capital. If a banking company decides to increase its capital, what conceptual requirement must be maintained regarding its capital structure?

(A) Paid-up capital must be made equal to the total authorized capital within five years of commencing business.
(B) Preference shares must represent at least fifty per cent of the total paid-up capital for all new banking entities.
(C) Subscribed capital must be half of authorized, and paid-up capital must be half of subscribed.
(D) The authorized capital must be doubled by a board resolution every time the paid-up capital is fully subscribed.

May/June 2023

3. Which of the following principles best explains the legal stance on the Reserve Bank of India's discretion to grant or refuse a banking licence, as established by the Gujarat High Court in Shivabhai vs RBI Ahmedabad?

(A) The RBI's decision is absolute and cannot be challenged in any court under any circumstances.
(B) The RBI must strictly follow recommendations provided by the Central Government without exercising independent judgment.
(C) Courts can intervene in the RBI's decision only if there is sufficient ground to believe it was made on extraneous or unreasonable grounds.
(D) Courts possess the primary authority to evaluate the financial viability of an applicant and can substitute the RBI's decision.

Oct/Nov 2018

4. Vanguard Bank seeks to form a subsidiary. The proposed business of the subsidiary is to carry on trading activities in commodity markets to maximize the bank's non-interest income. According to Section 19 of the Banking Regulation Act, can Vanguard Bank form this subsidiary?

(A) Yes, provided the Central Government issues a special gazette notification permitting such commercial trading.
(B) Yes, because banks are encouraged to diversify into various trading activities to support broader economic growth.
(C) No, Section 19 prohibits subsidiaries for trading to prevent banks from controlling non-banking businesses.
(D) No, unless the subsidiary restricts its specific trading operations exclusively to established locations outside India.

May/June 2007

5. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): Before granting permission to open a new place of business, the Reserve Bank may require to be satisfied by an inspection regarding the adequacy of the bank's capital structure and earning prospects.

Reason (R): Section 23 of the BR Act 1949 mandates that public interest must be served by the opening or change of location of the place of business.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2025

6. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): At least fifty-one per cent of the total number of directors of a banking company must have special knowledge or practical experience in specified fields.

Reason (R): Section 10A of the Banking Regulation Act requires directors to possess expertise in areas such as accountancy, agriculture, banking, economics, or law to ensure competent governance.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2012

7. Under the provisions specifying minimum paid-up capital and reserves, how is "place of business" defined in the Banking Regulation Act?

(A) Any branch office situated outside the city where the main head office is incorporated
(B) Any office or place receiving deposits, cashing cheques, or lending money
(C) Any corporate office or zonal office directing the strategic operations of the banking company
(D) Any location where the banking company conducts training and administrative support operations

Oct/Nov 2014

8. Match the banking company scenario in List I with the minimum paid-up capital and reserve requirements in List II as per Section 11(3) of the Banking Regulation Act.

List I: (Banking Company Scenario)

P. Places of business in more than one State, and one is situated in Bombay or Calcutta
Q. Places of business in more than one State, none situated in Bombay or Calcutta
R. All places of business in one State, more than one district
S. All places of business in one State, all in the same district

List II: (Minimum Capital and Reserve Requirements)

1. Five lakhs of rupees
2. Ten lakhs of rupees
3. One lakh plus ten thousand per place in other districts
4. Fifty thousand rupees

(A) P-1, Q-2, R-4, S-3
(B) P-2, Q-1, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-3, R-1, S-4

May/June 2019

9. Banking companies are eligible to declare dividends only when they comply with minimum prudential requirements. Which of the following is NOT one of the required prudential conditions for dividend declaration?

(A) The proposed dividend should be payable out of the current year's Net profit.
(B) The Bank's Net NPA must be strictly maintained at zero percent.
(C) The Bank must have a CRAR of at least 9% for the preceding two completed years and the accounting year for which it proposes to

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declare dividend.
(D) The dividend payout ratio shall normally not exceed 40%.

Oct/Nov 2006

10. The guidelines named "Guidelines for 'on tap' licensing of Universal Banks in the Private Sector" cover various areas. Consider the following:
I. 'Fit and Proper' criteria under various scenarios.
II. Corporate structure – Structure with and without Non-Operative Financial Holding Company.
III. Minimum voting equity capital requirements.
IV. Exemption from the provisions of the Payment and Settlement Systems Act.
Which of the above statement(s) is/are correct?
(A) I, III, and IV only
(B) II, III, and IV only
(C) I, II, and III only
(D) I, II, III, and IV

May/June 2021

11. Consider the following statements regarding the reconstitution of the board of a banking company by the Reserve Bank:
I. If the board does not fulfill the requirements of Section 10A, the Reserve Bank may order the bank to reconstitute the board.
II. If the bank fails to fulfill the RBI's order within two months, the RBI may remove any director, determined by lots drawn in the prescribed manner.
III. Any proceedings of a banking company will become invalid immediately if there is a defect in the composition of the board.
Which of the statements is/are correct?
(A) Only II
(B) Both I and II
(C) Only I
(D) I and II only

Oct/Nov 2010

12. According to Section 22(3) of the BR Act 1949, the RBI may require to be satisfied by an inspection that certain conditions are fulfilled before granting a licence. Which of the following is NOT one of those explicitly stated conditions?
(A) The company is or will be in a position to pay its present or future depositors in full as their claims accrue.
(B) The company has adequate capital structure and earning prospects.
(C) The company has formed at least two subsidiaries to handle non-financial operations.
(D) The public interest will be served by the grant of a licence to the company to carry on banking business in India.

May/June 2005

13. Globex Bank, incorporated outside India, commences business in Delhi. After a successful first year, it generates a profit in respect of business transacted through its branches in India. According to Section 11(2) of the BR Act, what obligation must Globex Bank fulfill regarding this profit?
(A) It must transfer ten per cent of the profit to a statutory reserve fund maintained in its home country.
(B) It must deposit twenty per cent of the profit for each year with the Reserve Bank.
(C) It must distribute thirty per cent of the profit as dividends to its Indian shareholders.
(D) It must reinvest fifty per cent of the profit into infrastructure development in India.

Oct/Nov 2022

14. Omega Bank Ltd. has an existing branch in a major city. An international trade fair is organized in the environs of the same city, lasting for 25 days. Omega Bank wishes to set up a temporary place of business at the trade fair to provide banking facilities to attendees. What is the regulatory requirement for this action?
(A) The bank must obtain prior written permission from the RBI regional office regardless of the temporary duration.
(B) The bank must route a formal application through the Central Government's financial services department for approval.
(C) No prior permission is needed as the temporary operation is within city limits for less than one month.
(D) The bank must surrender its existing branch licence temporarily to legally operate the trade fair kiosk location.

May/June 2018

15. As per the provisions detailing the power of RBI in respect of Associate Enterprises (Section

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29A), which of the following best describes an "associate enterprise" in relation to a banking company?

(A) A company that exclusively manages the various administrative and human resource functions of the banking company.
(B) Any corporate entity that maintains a high-value current account with the banking company for more than ten years.
(C) An overseas regulator that dictates the international Basel standards applicable to the local banking company.
(D) A holding, subsidiary, joint venture, or company exercising significant influence on the bank's financial decisions.

Oct/Nov 2016

16. When the Banking Regulation Act came into force in 1949, within what time frame were the banking companies then in existence required to apply for a licence?

(A) Within six months from the commencement of the Act
(B) Within three months from the commencement of the Act
(C) Within one year from the commencement of the Act
(D) Within two years from the commencement of the Act

May/June 2014

17. Apex Bank Ltd. reports a CRAR of 9.5% for the current accounting year, fulfilling the requirement for the preceding two years as well. Its Net NPA stands at 4.2%. The bank intends to declare a dividend out of the current year's net profit. Will the bank be eligible to declare a dividend under RBI guidelines, and what constraint applies?

(A) Eligible, provided Net NPA is under 7% and the dividend payout ratio stays below 40%.
(B) No, it is not eligible because Net NPA must be strictly less than 2% for any dividend declaration.
(C) Yes, it is eligible, and it can declare up to a 60% dividend payout ratio because its total CRAR exceeds 9%.
(D) No, it is not eligible because dividends must be paid from accumulated statutory reserves, not current year's net profit.

Oct/Nov 2007

18. Consider the following factors taken into account while considering the application of foreign banks for setting up their presence in India:

I. Economic and political relations between India and the country of incorporation.
II. Ownership pattern of the foreign bank.
III. Rating of the foreign bank by international rating agencies.
IV. International presence of the foreign bank.
V. The number of Indian employees the foreign bank intends to hire.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, and V only
(D) I, II, III, IV, and V

May/June 2025

19. Identify the correct statement regarding the voting rights of shareholders in a banking company as per Section 12(2) of the BR Act 1949.

(A) Every shareholder holds voting rights directly proportionate to their paid-up share capital with no regulatory maximum limit.
(B) Foreign shareholders are strictly prohibited from exercising any voting rights in domestic banking companies under any circumstance.
(C) Voting rights are restricted to a maximum of five per cent for all individual shareholders regardless of specific RBI approval.
(D) Voting rights are capped at 10% on poll, but RBI may increase this up to 26% of total rights.

Oct/Nov 2019

20. What is the minimum amount a foreign bank operating in India must deposit and keep deposited with the Reserve Bank if it has a place of business in Mumbai or Kolkata or both?

(A) Rs. 10 lakh
(B) Rs. 15 lakh
(C) Rs. 20 lakh
(D) Rs. 25 lakh

May/June 2009

21. The Board of Directors of Zenith Bank currently consists of 10 members. Only 4 members have special knowledge or practical experience in accountancy, banking, economics, and finance.

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The remaining 6 members are prominent local businessmen with no specified special knowledge. What regulatory action is required?
(A) No action is required as long as the 6 businessmen bring substantial high-value deposits to the bank.
(B) The RBI will automatically liquidate the bank for non-compliance with the primary board composition rules.
(C) Reconstitute the board so 51% of directors have special knowledge or experience in specified fields.
(D) The 4 qualified members must be granted double voting rights to offset the lack of qualifications of the other members.

Oct/Nov 2011

22. FinGlobe Bank, incorporated outside India, applies to the RBI for a licence to set up a Wholly Owned Subsidiary in India. The RBI reviews the application and notes that the home country regulator has not approved this expansion. Furthermore, the banking laws in FinGlobe's home country discriminate against Indian banking companies. Based on the RBI's licensing policies for foreign banks, what is the most likely outcome of this application?
(A) The RBI will grant the licence conditionally, requiring the bank to secure future approval from the home country regulator.
(B) The RBI will reject the application due to lack of home regulator approval and discriminatory home country laws.
(C) The RBI will grant the licence provided the bank demonstrates a high international ranking within the top 50 banks globally.
(D) The RBI will refer the application to the Central Government for a formal diplomatic resolution before making its final decision.

May/June 2010

23. Consider the following statements regarding the opening of new places of business according to Section 23 of the BR Act 1949:
I. No banking company incorporated in India shall open a new place of business outside India without the prior permission of the Reserve Bank.
II. Prior permission is not required to open a temporary place of business for up to one month to afford banking facilities on the occasion of an exhibition.
III. Regional Rural Banks do not require any licence or permission to open branches.
Which of the above statements is/are correct?
(A) II and III only
(B) I and III only
(C) I, II, and III
(D) I and II only

Oct/Nov 2024

24. Under Section 13 of the Banking Regulation Act, what is the primary restriction imposed on a banking company regarding the sale of its shares?
(A) The company cannot issue preference shares or specialized equity instruments to any individual or corporate entity.
(B) The company is prohibited from employing outside brokers or auctioneers who are not regular members of the bank's staff.
(C) The company must deposit all collected brokerage fees into a specially designated account with the Reserve Bank of India.
(D) Total payments for commission or brokerage on share sales must not exceed two-and-a-half per cent of the issue price.

May/June 2017

25. A banking company incorporated in India operates solely within the State of Gujarat. It has its principal place of business in Ahmedabad and maintains two other branches in different districts of the same state. It has no branches outside these districts. Calculate the minimum paid-up capital and reserves required under Section 11(3) for this banking company.
(A) Rs. 50,000
(B) Rs. 1,00,000
(C) Rs. 1,20,000
(D) Rs. 5,00,000

Oct/Nov 2005

26. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): The refusal of a banking licence to a company makes it entirely ineligible to carry on any form of business.
Reason (R): It is open to the RBI to consider defects or improvements revealed in an inspection held under Section 35 of the BR Act

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while disposing of an application for a licence.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2020

27. Consider the following statements based on Section 19(2) regarding the shareholding in companies other than subsidiaries:

I. A banking company's holding of shares as absolute owner shall not exceed thirty per cent of the paid-up share capital of that company.
II. A banking company's holding of shares as pledgee or mortgagee shall not exceed thirty per cent of its own paid-up share capital and reserves.
III. Holding of shares in any company in which the managing director of the banking company is interested is strictly prohibited, except in the case of subsidiaries.
IV. A banking company cannot form a subsidiary to carry on the business of credit information under any circumstances.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2015

28. Consider the following statements regarding the cancellation of a banking licence:

I. The Reserve Bank may cancel a licence if the banking company ceases to carry on banking business in India.
II. Upon cancellation of the licence by the RBI, the banking company has no legal recourse and the decision cannot be appealed.

Which of the statements provided is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2013

29. Which of the following statements concerning the transfer of shares in a banking company is INCORRECT?

(A) Any person acquiring five per cent or more of the paid-up share capital of a banking company must obtain prior approval from the RBI.
(B) If shares are registered without necessary RBI approval, the RBI may order that the transferee shall not be entitled to exercise voting rights.
(C) Transfer of shares of Banking Companies is exclusively governed by the Banking Regulation Act and exempt from the Companies Act, 2013.
(D) A report regarding the particulars of shareholding of the Chairman or Managing Director requires submission to the Reserve Bank.

Oct/Nov 2021

30. How is "Substantial interest" defined for a director of a banking company under Section 5 (ne) of the Banking Regulation Act?

(A) Holding beneficial interest exceeding Rs. 10 lakh or five per cent of the total authorized capital of the company.
(B) Being a minority shareholder with individual voting rights exceeding fifteen per cent of the total voting power.
(C) Holding beneficial interest exceeding Rs. 5 lakh or ten per cent of the total capital subscribed by all partners in a firm.
(D) Holding beneficial interest (with family) exceeding Rs. 5 lakh or ten per cent of the paid-up capital.

May/June 2024

31. Consider the following conditions regarding an Additional Director appointed by the Reserve Bank under Section 36AB:

I. The appointment is made if the RBI finds it necessary in the interest of banking policy or public interest.
II. The person holds office during the pleasure of the Reserve Bank for a period not exceeding three years at a time.
III. The person incurs personal liability for actions taken in good faith during the execution of office duties.
IV. The person shall not be required to hold

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qualification-shares in the banking company.
V. The additional director is not taken into account for the purpose of reckoning any proportion of the total number of Directors.

Which of the above statement(s) is/are correct?
(A) I, II, III, and V only
(B) II, III, IV, and V only
(C) I, II, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2008

32. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): A director removed by the RBI under Section 36AA is not entitled to any compensation for the loss of office.
Reason (R): The provisions of Section 36AA have overriding effect notwithstanding anything contained in any law, memorandum, articles, or contract to the contrary.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2006

33. Mr. Sharma, the whole-time Chairman of Horizon Bank, unexpectedly passes away, creating a sudden vacancy. The bank's board makes temporary arrangements to carry out his duties to ensure smooth functioning. Under the banking regulations, what is the maximum duration for which such temporary arrangements can be maintained before a permanent appointment must be finalized, subject to RBI approval?
(A) Two months
(B) Four months
(C) Six months
(D) Twelve months

Oct/Nov 2017

34. The Basel Committee guidance "Enhancing Corporate Governance for Banking Organisations" highlights several important aspects. Consider the following:
I. The roles of boards of directors, focusing on independent directors.
II. Effective management of conflicts of interest.
III. The roles of internal and external auditors.
IV. Governing in a transparent manner, especially in jurisdictions impeding transparency.
V. The role of supervisors in promoting sound corporate governance practices.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2008

35. Consider the following statements regarding the restrictions on employment under Section 10 of the Banking Regulation Act:
I. A banking company is strictly prohibited from employing any person who has been convicted by a criminal court of an offence involving moral turpitude.
II. The restriction on remuneration automatically prevents the payment of bonus to employees according to a settlement or award.

Which of the statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2013

36. Regarding the OECD principles of corporate governance framework, consider the following elements:
I. Ensuring the basis for an effective corporate governance framework that is consistent with the rule of law.
II. The rights of shareholders and key ownership functions.
III. Absolute confidentiality of material matters regarding the financial situation to protect competitive advantage.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only

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(D) I, II, and III

May/June 2015

37. Which of the following statements accurately reflects the regulations governing the Chairman of a banking company?
(A) The whole-time chairman's term is capped at five years, with eligibility for re-election or re-appointment.
(B) The chairman is strictly prohibited from serving as a director of any subsidiary company owned by the bank.
(C) A part-time chairman does not require any prior approval from the Reserve Bank for their initial appointment.
(D) The management of the whole of the affairs of the banking company is entrusted exclusively to the Central Government.

Oct/Nov 2012

38. The RBI passes a removal order against the Chief Executive Officer of a bank under Section 36AA. Due to an urgent situation where delay would be against the interests of the depositors, the RBI directs that the CEO shall not take part in the management pending consideration of the CEO's representation. If the CEO violates this order and continues to participate in management, what is the prescribed penalty?
(A) Imprisonment for a term of one year.
(B) Immediate forfeiture of all personal assets.
(C) A lump sum fine of Rs. 5,00,000.
(D) A fine of Rs. 250 for each day during which the contravention continues.

May/June 2011

39. Match the concept/framework in List I with the defining entity or authority in List II.
List I: (Concept/Framework)
P. Enhancing Corporate Governance for Banking Organisations (Guidance 2006)
Q. OECD Principles of Corporate Governance
R. Consultative Group on internal supervisory role of boards (Nov 2001)
S. Advisory group on corporate governance in banks (March 2001)
List II: (Defining Entity/Authority)
1. Dr. A.S. Ganguly
2. Dr. R.H. Patil
3. Basel Committee on Banking Supervision
4. Organisation for Economic Cooperation and Development
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2020

40. The provisions of Section 10A, Section 10B, and Section 10BB regarding the appointment and removal of directors and chairmen explicitly feature an "overriding provision". What is the conceptual significance of this provision?
(A) It mandates that these sections apply only if the banking company's internal bylaws do not address the issue.
(B) It gives the Central Government overriding authority to veto any RBI decision regarding the bank's directors.
(C) It allows the banking company to override RBI instructions if shareholders pass a unanimous general resolution.
(D) These sections override other laws/contracts and deny compensation for termination of office.

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May/June 2022

41. Match the regulatory notification/circular in List I with its core subject matter in List II.
List I: (Notification/Circular)
P. RBI Circular dated 25 June, 2004
Q. RBI Circular No DOR.GOV. REC.8/29.67.001/2021-22 dated 26-04-2021
R. RBI notification dated 26th April 2022
S. Banking Companies (Amendment) Act, 2006
List II: (Subject Matter)
1. Fit and proper criteria for directors
2. Chair, board meetings, tenure and remuneration of directors
3. Tenure of MD&CEO and WTDs (15 years limit)
4. Shareholder directors having fit and proper status in public sector banks
(A) P-1, Q-3, R-2, S-4
(B) P-4, Q-2, R-1, S-3
(C) P-3, Q-1, R-2, S-4
(D) P-2, Q-3, R-4, S-1

Oct/Nov 2023

42. Which organizational body was constituted effective from July 01, 2022, by the Central Government, substituting the earlier Banks Board Bureau, for recommending persons for

appointment as whole-time directors and non-executive chairpersons?
(A) Financial Stability and Development Council
(B) Board for Financial Supervision
(C) Financial Services Institutions Bureau
(D) National Bank for Financing Infrastructure

May/June 2016

43. Consider the following statements regarding the appointment of a suitable person by RBI after a removal under Section 36AA:
I. The appointed person holds office at the pleasure of the Reserve Bank.
II. The appointment may be for a period not exceeding three years and is extendable for further periods not exceeding three years at a time.
III. The appointee is personally liable for all civil claims arising from actions taken in good faith during their tenure.
Which of the statements is/are correct?
(A) II and III only
(B) I and II only
(C) I and III only
(D) I, II, and III

Oct/Nov 2009

44. A banking company wishes to employ Mr. Davis, whose remuneration structure includes a base salary and a variable component that is purely a share in the profits of the company. Additionally, the bank wishes to employ a forwarding agent and pay them a commission. Based on Section 10 of the BR Act, which of the following is correct?
(A) Both proposed employment and remuneration structures are strictly prohibited under the Banking Regulation Act.
(B) Mr. Davis's remuneration structure is permitted, but paying commission to the forwarding agent is prohibited.
(C) Both employment structures are perfectly valid and do not face any legal restrictions under the Act.
(D) Mr. Davis's profit-sharing structure is prohibited, but paying the forwarding agent a commission is allowed.

May/June 2023

45. Match the Corporate Governance requirement/ norm in List I with its specific context or condition in List II.
List I: (Requirement/Norm)
P. Restructuring of weak banks
Q. Large industrial houses' strategic investment
R. Individual bank's internal policy for MD&CEO
S. Re-appointment of MD&CEO in the same bank
List II: (Context/Condition)
1. Free to prescribe a lower retirement age than 70 years
2. Subject to a minimum cooling gap of three years
3. RBI may permit a higher level of shareholding
4. Allowed to acquire shares not exceeding ten per cent with RBI's prior approval
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2018

46. Identify the INCORRECT statement regarding the qualifications and disqualifications of a whole-time Chairman or Managing Director under Section 10B(4).
(A) The person must have special knowledge and practical experience of the working of a banking company or financial administration.
(B) The person is allowed to have substantial interest in any other company or firm provided it operates in the IT sector.
(C) The person shall be disqualified if they are a partner of any firm which carries on any trade, business or industry.
(D) The person shall be disqualified if they are engaged in any other business or vocation.

May/June 2007

47. Why do banks hold a "special position" in corporate governance compared to other commercial entities?
(A) Banks are exempt from all provisions of the Companies Act and only follow the Banking Regulation Act.
(B) They manage public funds in a fiduciary capacity and leverage them through credit,

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impacting the payment system.
(C) Bank boards are entirely constituted by government appointees regardless of the actual ownership structure.
(D) Banks are not required to generate profits, thereby fundamentally altering their core governance motives.

Oct/Nov 2025

48. Which of the following pairs correctly matches the section of the Banking Regulation Act with its corresponding provision?
(A) Section 10A – Qualifications of whole-time Chairman
(B) Section 36AA – Power to remove managerial personnel
(C) Section 10B – Substantial interest of directors
(D) Section 12B – Temporary vacancies of Chairman

May/June 2012

49. Due to severe governance failures, the RBI supersedes the Board of a commercial bank under Section 36ACA. The RBI appoints Mr. K as the Administrator. During the interim period of supersession, who assists the Administrator in managing the affairs of the bank?
(A) A committee of three or more persons constituted by the Reserve Bank in consultation with the Central Government.
(B) A liquidator appointed by the High Court to oversee the final winding up of the bank's financial affairs.
(C) The outgoing Chief Executive Officer of the bank who remains to ensure continuity of operations.
(D) A panel of prominent shareholders holding more than five per cent of the bank's total equity capital.

Oct/Nov 2014

50. Under Section 36AA, the RBI has the discretionary power to remove managerial personnel. Consider the following circumstances:
I. In the public interest.
II. For preventing the affairs of the bank being conducted in a manner detrimental to the interest of depositors.
III. For securing proper management of the banking company.
IV. For failing to declare dividends for three consecutive years.
Which of the above statement(s) is/are correct?
(A) II, III, and IV only
(B) I, III, and IV only
(C) I, II, and III only
(D) I, II, III, and IV

May/June 2019

51. Consider the following statements regarding the composition of the board of directors of a bank:
I. As a matter of desirable practice, not more than one member of a family or a close relative should be on the board of a bank.
II. The 'fit and proper' criteria guidelines for directors of banks were provided in accordance with the recommendations of the Ganguly Committee.
Which of the statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2006

52. What is the maximum period for which a director of a banking company (excluding the chairman or whole-time director) can continuously hold office?
(A) Five years
(B) Six years
(C) Eight years
(D) Ten years

May/June 2021

53. When the Reserve Bank appoints an additional director under Section 36AB, what is the primary objective guiding such an appointment?
(A) To facilitate the immediate and mandatory merger of the bank with a larger public sector bank.
(B) To replace the existing Chairman with a government-nominated official to oversee daily management.
(C) To align bank policies with banking policy, public interest, or the interests of the bank and depositors.
(D) To audit the daily financial transactions and approve all individual credit sanctions issued by the bank.

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Oct/Nov 2010

54. Which of the following best articulates the fundamental purpose of corporate governance as defined by the OECD?

(A) To maximize short-term managerial compensation and aggressively expand branch networks across all rural regions.

(B) To ensure that banks exclusively cater to public sector enterprises to guarantee full sovereign financial backing.

(C) Building an environment of trust, transparency, and accountability for long-term stability and business integrity.

(D) To eliminate all financial risks by strictly prohibiting trading activities and all foreign exchange operations.

May/June 2005

55. Under Section 36ACA, when the RBI decides to supersede the Board of Directors of a banking company, consider the following operational phases:

I. The Administrator vacates office after the constitution of the new Board.

II. Reserve Bank supersedes the Board for an initial period of six months.

III. An Administrator is appointed to act as per RBI directions, assisted by a Committee.

IV. The supersession period may be extended up to twelve months if required.

Which of the following represents the correct sequential order?

(A) II, III, IV, I

(B) III, II, I, IV

(C) II, IV, III, I

(D) III, I, II, IV

Oct/Nov 2022

56. The RBI forms an opinion that the whole-time chairman of a banking company is not a fit and proper person to hold office. The RBI issues an order requiring the bank to remove the chairman. Despite the order, the bank fails to comply within two months. What specific power can the RBI exercise next?

(A) RBI may directly remove the person from the office and appoint a suitable person in his/her place.

(B) RBI can impose a penalty of Rs. 1 lakh per day until the chairman resigns voluntarily.

(C) RBI must dissolve the entire Board of Directors and appoint a liquidator.

(D) RBI has no further power and must appeal to the Central Government to enforce the removal.

May/June 2018

57. Under the RBI guidelines on ownership and governance in private sector banks (released February 28, 2005), several principles are laid down. Which of the following is NOT a prescribed guideline?

(A) Industrial houses can acquire 51% of a private bank via strategic investment without RBI approval.

(B) Where ownership is of a corporate entity, no single individual/entity should have ownership and control in excess of ten per cent.

(C) Banks/FIs should not acquire fresh stakes in a bank's equity if the holding exceeds five per cent of the investee bank's capital.

(D) In case of restructuring of weak banks, RBI may permit a significantly higher level of shareholding than standard.

Oct/Nov 2016

58. Mr. Gupta was appointed as the Managing Director of a banking company. An order under Section 10B(4) is passed affecting his appointment. To which authority can the banking company or Mr. Gupta appeal against the Reserve Bank's order, and what is the time limit?

(A) Central Government within thirty days.

(B) High Court within sixty days.

(C) Supreme Court within ninety days.

(D) Securities Appellate Tribunal within forty-five days.

May/June 2014

59. According to the OECD Principles of Corporate Governance (2004), which of the following accurately describes the objective regarding the "equitable treatment of shareholders"?

(A) Only majority shareholders have the legal right to obtain effective redress for any violation of their corporate rights.

(B) Stakeholders' rights are entirely subordinated to the immediate financial demands and goals of the corporate management team.

(C) Protecting minority and foreign shareholders and providing them opportunity for effective

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redress for rights violations.

(D) Corporate disclosures should be strictly limited to financial performance, excluding details of ownership and internal governance.

Oct/Nov 2007

60. Which of the following pairs is INCORRECTLY matched regarding the provisions of the BR Act?

(A) Section 36 ACA – Supersession of Board of Directors

(B) Section 29A – Commission, brokerage, discount limits

(C) Section 10 – Restrictions on Employment

(D) Section 36AB – Appointment of additional directors

May/June 2025

61. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): During the three-year cooling period, an outgoing MD&CEO shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

Reason (R): The cooling period ensures an objective transition of management and prevents the outgoing executive from exercising undue influence over the new leadership.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2019

62. Consider the following statements regarding capital, shareholding, and subsidiaries:

I. No banking company can declare a dividend until all capitalized expenses have been written off.

II. RBI approval is mandatory for acquiring five per cent or more of the share capital of a banking company.

III. A bank can hold shares in any company as an absolute owner up to 30% of that company's paid-up share capital.

IV. A bank cannot form a subsidiary to carry on the business of credit information.

V. A foreign bank in India must deposit 20% of its profit for each year in respect of Indian business with the Reserve Bank.

Which of the above statement(s) is/are correct?

(A) I, II, III, and V only

(B) I, II, III, and IV only

(C) II, III, IV, and V only

(D) I, II, III, IV, and V

May/June 2009

63. Which of the following entities/persons is NOT required to fulfill the 'fit and proper' criteria under corporate governance norms as laid out in the RBI guidelines?

(A) A customer holding a fixed deposit of Rs. 1 crore.

(B) A director on the board representing a specific sector under the B.R. Act.

(C) Important shareholders holding five per cent and above.

(D) The Chief Executive Officer (CEO) of the bank.

Oct/Nov 2011

64. Which of the following is NOT a consequence of a removal order passed by the Reserve Bank against a managerial person under Section 36AA?

(A) The person is entitled to severance compensation for loss of office as per their contract.

(B) The person immediately ceases to hold the office they were holding till the order was issued.

(C) The person is prohibited from taking part in the management of any banking company for up to five years.

(D) Contravention of the order is punishable with a fine of Rs. 250 for each day the contravention continues.

May/June 2010

65. Identify the INCORRECT statement regarding the tenure and retirement age of the MD&CEO and Whole Time Directors (WTDs) in private sector banks.

(A) The post of MD&CEO or WTD cannot be held by the same incumbent for more than a total of 15 years.

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(B) The overall upper age limit for serving as an MD&CEO or WTD is strictly set at 70 years.
(C) During the cooling period, the individual is permitted to be associated with the bank as an advisor or consultant.
(D) An MD&CEO who is also a promoter/major shareholder can normally hold the post for a maximum of 12 years.

Oct/Nov 2024

66. Which of the following pairs is INCORRECTLY matched regarding directorship and management?
(A) Whole-time Chairman – Exempted from requirement of holding qualification shares under Section 10C.
(B) MD&CEO maximum tenure is 20 years continuously without any mandatory cooling period.
(C) Substantial interest – Holding interest exceeding Rs. 5 lakh or ten per cent of the paid-up capital.
(D) Reconstitution of Board – Required if less than 51% directors have specific special knowledge.

May/June 2017

67. When the RBI evaluates the extension of tenure for a promoter MD&CEO up to 15 years under extraordinary circumstances, which of the following factors is explicitly factored in by the Reserve Bank?
(A) The physical health and detailed medical records of the promoter over the last ten years.
(B) The number of new branches the bank has opened in metropolitan areas over the previous five years.
(C) Adherence to the milestones for dilution of the promoters' shareholding in the bank.
(D) The willingness of the promoter to merge the bank with a large public sector financial entity.

Oct/Nov 2005

68. Consider the following statements regarding the tenure of promoter/major shareholder MD&CEOs:
I. An MD&CEO who is also a promoter/major shareholder cannot hold the post for more than 12 years.
II. In extraordinary circumstances, at the sole discretion of the Reserve Bank, such promoter MD&CEOs may be allowed to continue up to 15 years.
Which of the statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2020

69. Consider the following statements regarding the regulatory control over Directors and Chairmen:
I. The chairman on a part-time basis requires the prior approval of the Reserve Bank.
II. A whole-time chairman's appointment is subject to a maximum period of five years at a time, but is eligible for re-election.
III. The RBI can appoint an additional director for a period not exceeding three years at a time.
IV. An additional director appointed by RBI must hold qualification-shares to prove financial commitment.
Which of the above statement(s) is/are correct?
(A) II, III, and IV only
(B) I, III, and IV only
(C) I, II, III, and IV
(D) I, II, and III only

Oct/Nov 2015

70. According to the statutory provisions protecting the title of registered shareholders (Section 12(3) of BR Act), under what specific circumstance can a suit or proceeding be maintained against a person registered as the holder of a share?
(A) When an unrecorded verbal agreement clearly suggests someone else is the actual beneficial owner.
(B) When a shareholder holds less than one per cent of the total paid-up share capital of the bank.
(C) By a transferee who has obtained a transfer from the registered holder in accordance with the law.
(D) When the current market value of the share falls significantly below its original face value.

May/June 2013

71. Mr. Prakash has served as the MD&CEO of a private sector bank for 15 consecutive years. He is currently 62 years old. The bank's board

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wishes to retain his expertise and proposes to re-appoint him immediately as a Whole Time Director (WTD) for another 3 years. Is this permissible under the RBI notification dated 26th April 2022?

(A) Yes, because he is well below the upper age limit of 70 years established for such positions.
(B) Yes, provided his re-appointment is approved by the Central Government after a thorough review.
(C) No, because an individual can only serve a lifetime maximum of 15 years in any specific banking entity.
(D) No, as he must undergo a three-year cooling period before any re-appointment or association with the bank.

Oct/Nov 2021

72. In which year were the OECD principles of corporate governance, originally published in 1999, revised to stipulate what the corporate governance framework should ensure?

(A) 2001
(B) 2004
(C) 2006
(D) 2013

May/June 2024

73. Consider the following statements related to corporate governance and licensing:

I. The concept of 'fit and proper' criteria for directors involves collecting information and exercising due diligence.
II. The OECD principles explicitly exclude the equitable treatment of foreign shareholders.
III. The Secretariat of the Financial Services Institutions Bureau currently comprises a Secretary and four officers.
IV. A temporary branch opened for an exhibition for less than a month does not need prior RBI permission.
V. The Reserve Bank may stipulate a higher requirement of capital before granting a licence to a banking company under Section 22 than the minimum specified in Section 11.

Which of the above statement(s) is/are correct?

(A) I, II, IV, and V only
(B) I, III, IV, and V only
(C) I, II, III, and V only
(D) I, III, and IV only

Oct/Nov 2008

74. Which of the following pairs correctly identifies a specific bank licensing policy feature with its corresponding guideline?

(A) Universal Banks 'on tap' Licensing process is entirely exempt from standard 'Fit and Proper' criteria.
(B) Cancellation of a banking licence is a process undertaken exclusively by the Central Government's office.
(C) Opening a temporary branch for 20 days requires explicit and prior written permission from the RBI.
(D) Small Finance Banks must be registered as public limited companies under the Companies Act, 2013.

May/June 2006

75. SilverLine Small Finance Bank has been operational for five years. The Reserve Bank of India observes that the bank has repeatedly failed to comply with the conditions imposed upon it under Section 22(1) of the BR Act. RBI decides to cancel its licence. SilverLine Bank appeals this decision. According to the BR Act, to which authority must this appeal be preferred, and what is the legal status of the appellate authority's decision?

(A) Appeal to the Central Government within 30 days; the Central Government's decision shall be final.
(B) Appeal to the High Court; the decision is subject to a further formal review by the Supreme Court.
(C) Appeal to the Board for Financial Supervision within sixty days; the decision reached is final.
(D) Appeal to the Finance Secretary; the decision can be challenged in a civil court through a formal lawsuit.

Oct/Nov 2017

76. Identify the INCORRECT statement regarding the appeal process against a removal order passed by the Reserve Bank under Section 36AA.

(A) An appeal against the order of removal lies specifically with the Central Government of India.
(B) The appeal has to be filed within thirty days from the date of the formal communication of the order.

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(C) The final appellate decision rendered by the Central Government is considered binding and final.
(D) The appellate decision of the Central Government is subject to review and challenge in any Civil Court.

May/June 2008

77. Consider the following statements regarding the final guidelines for 'on tap' licensing of Small Finance Banks issued on 05-12-2019:
I. Eligible Promoters and Compliance with 'Fit and Proper' criteria.
II. Scope of activities and Capital requirement.
III. Mandatory transition to a foreign bank branch within five years.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2013

78. Regarding the Corporate Governance framework, consider the following source materials used for recommendations in RBI circulars:
I. Basel Committee on Banking Supervision guidelines 2015.
II. RBI Circular of March 1992 on Do's and Don'ts for Directors.
III. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
IV. The Companies Act, 2013.
Which of the above statement(s) is/are correct?
(A) I, II, and IV only
(B) I, II, III, and IV
(C) I, III, and IV only
(D) II, III, and IV only

May/June 2015

79. Identify the correct statement regarding the activities permissible for a subsidiary of a banking company under Section 19 of the BR Act.
(A) A subsidiary can be formed to undertake any manufacturing business to help diversify the bank's revenue.
(B) A subsidiary can conduct banking exclusively outside India with prior Reserve Bank permission.
(C) A subsidiary can engage in speculative stock trading operations without needing any prior RBI approval.
(D) A bank can form a subsidiary for any business as long as its capital stays below ten per cent of the bank's.

Oct/Nov 2012

80. Match the penal or regulatory action in List I with its corresponding time limit or monetary value in List II.
List I: (Penal/Regulatory Action)
P. Fine for contravention of a removal order under Sec 36AA
Q. Temporary period a director of another company can manage a bank (without RBI extension)
R. Maximum extension period for supersession of Board under Sec 36 ACA
S. Maximum continuous period for an ordinary director to hold office
List II: (Time Limit/Value)
1. Eight years
2. Twelve months
3. Three months
4. Rs. 250 for each day
(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-1, R-4, S-3

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ANSWERS

1. (D) I, III, II, IV
The licensing process for universal banks followed a specific timeline. Initially, guidelines for geographic coverage were issued. This was followed by the publication of the 2013 paper on banking structure. Subsequently, draft guidelines for on-tap licensing were released for comments. Finally, the formal guidelines for on-tap licensing of universal banks were published to establish the current regulatory framework.

2. (C) Subscribed capital must be half of authorized, and paid-up capital must be half of subscribed.
Section 12 of the Banking Regulation Act stipulates strict proportional requirements for a banking company's capital structure. The subscribed capital must be at least one-half of the total authorized capital. Furthermore, the paid-up capital of the bank must be at least one-half of the subscribed capital. These requirements ensure a stable and transparent capital base for banking operations.

3. (C) Courts can intervene in the RBI's decision only if there is sufficient ground to believe it was made on extraneous or unreasonable grounds.
The legal stance established by the Gujarat High Court emphasizes that while the Reserve Bank of India holds discretionary power in licensing, this discretion is not absolute. Courts maintain the authority to intervene if the decision is proven to be based on extraneous or unreasonable grounds. This principle ensures that regulatory decisions are made fairly and within legal boundaries.

4. (C) No, Section 19 prohibits subsidiaries for trading to prevent banks from controlling non-banking businesses.
Section 19 of the Banking Regulation Act restricts the types of subsidiaries a bank can form. Banking companies are prohibited from establishing subsidiaries to engage in commercial trading activities. This regulation prevents banks from controlling non-banking businesses, ensuring they focus on core financial services and maintain a clear separation between banking and general commercial or industrial operations.

5. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Section 23 requires the Reserve Bank to ensure that opening or changing the location of a business place serves the public interest. While the Reserve Bank may conduct inspections regarding capital structure and earning prospects before granting permission, the primary regulatory mandate focuses on the broader service to the public rather than just the specific internal financial metrics of the bank.

6. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 10A of the Banking Regulation Act mandates that at least fifty-one per cent of directors in a banking company possess specialized knowledge or practical experience. This requirement covers areas like accountancy, banking, and economics. This legal provision ensures competent governance by integrating professional expertise into the board's decision-making process, thereby enhancing the overall stability and management of the bank.

7. (B) Any office or place receiving deposits, cashing cheques, or lending money
The Banking Regulation Act defines a place of business as any office, sub-office, sub-pay office, or branch where banking transactions occur. This specifically includes any location where the company receives deposits, cashes cheques, or lends money. This broad definition ensures that all operational sites providing direct financial services to the public fall under the regulatory purview of the Act.

8. (B) P-2, Q-1, R-3, S-4
Section 11(3) specifies minimum capital requirements based on geographic operations. Banks with offices in multiple states including Mumbai or Kolkata require ten lakhs. Those in multiple states excluding those cities require five lakhs. For operations within one state, the requirement depends on the districts involved,

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with specific amounts set for multi-district presence and lower amounts for single-district operations.

9. (B) The Bank's Net NPA must be strictly maintained at zero percent.
Banking companies must satisfy several prudential conditions before declaring dividends. These include maintaining a minimum Capital to Risk-weighted Assets Ratio of nine per cent for the preceding and current years. While Net Non-Performing Assets must be kept within specified regulatory limits, there is no requirement for them to be strictly at zero percent. The dividend payout ratio is also regulated.

10. (C) I, II, and III only
The guidelines for on-tap licensing of universal banks address several critical areas to ensure robust entry standards. These include the fit and proper criteria for applicants and the permissible corporate structures, including holding company models. Additionally, the guidelines specify the minimum voting equity capital requirements. However, they do not provide exemptions from the Payment and Settlement Systems Act provisions.

11. (D) I and II only
If a banking company fails to meet the board composition requirements of Section 10A, the Reserve Bank can order a reconstitution. If the bank does not comply within two months, the Reserve Bank has the power to remove directors, often determined by drawing lots. Crucially, the proceedings of the bank remain valid despite any defect in the board's composition.

12. (C) The company has formed at least two subsidiaries to handle non-financial operations.
Before granting a banking licence, the Reserve Bank conducts an inspection to verify specific conditions under Section 22. These include ensuring the company can pay depositors in full and has an adequate capital structure. The Reserve Bank also evaluates if the licence serves the public interest. There is no requirement for a bank to form subsidiaries for non-financial operations.

13. (B) It must deposit twenty per cent of the profit for each year with the Reserve Bank.
Foreign banking companies operating in India must comply with specific capital and reserve mandates under Section 11(2). A key requirement is the annual deposit of twenty per cent of the profits derived from their Indian business with the Reserve Bank. This ensures that a portion of the earnings remains within the domestic regulatory environment to protect the interests of local depositors.

14. (C) No prior permission is needed as the temporary operation is within city limits for less than one month.
Section 23 of the Banking Regulation Act provides an exemption for temporary banking operations. A banking company does not require prior permission to open a temporary place of business for up to one month to provide facilities at an exhibition or trade fair. This applies when the temporary site is in a city where the bank already has a licensed branch.

15. (D) A holding, subsidiary, joint venture, or company exercising significant influence on the bank's financial decisions.
Under the Banking Regulation Act, an associate enterprise is defined through the lens of control and influence. It includes entities such as holding companies, subsidiaries, or joint ventures. Any company that exercises significant influence over the financial and operational decisions of the bank is classified as an associate enterprise. This classification allows the Reserve Bank to exercise oversight over related entities.

16. (A) Within six months from the commencement of the Act
When the Banking Regulation Act was enacted in 1949, it established a transition period for existing banking companies. These entities were required to formally apply to the Reserve Bank for a licence within six months from the commencement of the Act. This allowed existing banks to continue their operations while the regulator evaluated their compliance with the statutory requirements.

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17. (A) Eligible, provided Net NPA is under 7% and the dividend payout ratio stays below 40%.
To be eligible for dividend declaration, a bank must meet specific capital and asset quality benchmarks. The bank must maintain a Capital to Risk-weighted Assets Ratio of at least nine per cent. Furthermore, its Net Non-Performing Assets ratio must be less than seven per cent. If these conditions are met, the bank can declare a dividend within the prescribed payout limits.

18. (A) I, II, III, and IV only
The Reserve Bank evaluates several strategic factors when considering applications from foreign banks. These include the ownership pattern, international ratings, and the bank's global presence. Additionally, the economic and political relations between India and the bank's home country are scrutinized. The number of Indian employees the bank intends to hire is not a primary factor in the licensing decision.

19. (D) Voting rights are capped at 10% on poll, but RBI may increase this up to 26% of total rights.
Section 12(2) of the Banking Regulation Act governs the voting rights of shareholders in banking companies. While voting rights are capped at ten per cent on a poll, the Reserve Bank has the authority to increase this limit progressively. Currently, the maximum limit for voting rights can be raised up to twenty-six per cent of the total voting rights of shareholders.

20. (C) Rs. 20 lakh
Foreign banking companies established in India face specific minimum capital requirements under Section 11 of the Banking Regulation Act. If a foreign bank has a place of business in major cities like Mumbai or Kolkata, it is required to deposit and keep deposited with the Reserve Bank a minimum amount of twenty lakhs of rupees. This serves as a security measure.

21. (C) Reconstitute the board so 51% of directors have special knowledge or experience in specified fields.
The Banking Regulation Act mandates that at least fifty-one per cent of the board of directors must possess special knowledge or practical experience in designated fields. If a bank's board does not meet this ratio, it must be reconstituted to include qualified individuals in areas such as accountancy, banking, or law. This ensures that professional expertise drives the bank's strategic management.

22. (B) The RBI will reject the application due to lack of home regulator approval and discriminatory home country laws.
The licensing policy for foreign banks emphasizes reciprocity and regulatory approval. The Reserve Bank typically rejects applications if the home country regulator has not granted approval for the expansion. Furthermore, if the home country's laws discriminate against Indian banks, the application is likely to be denied. These principles ensure fair international banking relations and robust oversight of foreign entrants.

23. (D) I and II only
Section 23 requires prior Reserve Bank permission for Indian banks to open new places of business outside the country. However, an exemption exists for temporary locations opened for up to one month for events like exhibitions. Unlike the incorrect statement regarding Regional Rural Banks, these entities are generally subject to licensing requirements and branch opening regulations under the applicable statutes.

24. (D) Total payments for commission or brokerage on share sales must not exceed two-and-a-half per cent of the issue price.
Section 13 of the Banking Regulation Act imposes a strict limit on the costs associated with the sale of a banking company's shares. It prohibits the payment of commission, brokerage, or discount exceeding two-and-a-half per cent of the paid-up value of the shares issued. This regulation ensures that capital raised is not excessively eroded by high administrative or promotional expenses.

25. (C) Rs. 1,20,000
Under Section 11(3), a bank operating in one state with offices in more than one district requires one lakh rupees plus ten thousand rupees for every additional district. Since this bank has offices in three different districts within Gujarat, the requirement is calculated as one lakh for the first district and twenty thousand for the two additional districts, totaling one lakh twenty thousand.

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26. (D) Assertion (A) is false, but Reason (R) is true.
Refusing a banking licence only prevents a company from conducting banking business; it does not disqualify the company from engaging in other forms of commercial activity. Meanwhile, the Reserve Bank is legally empowered to consider the findings of inspections conducted under Section 35 when evaluating a licence application. This allows the regulator to assess the bank's operational health and compliance.

27. (A) I, II, and III only
Section 19(2) restricts a banking company's shareholding in other entities. A bank cannot hold shares in any company, whether as an absolute owner, pledgee, or mortgagee, exceeding thirty per cent of that company's paid-up capital or thirty per cent of the bank's own paid-up share capital and reserves, whichever is less. Banks are also generally prohibited from holding shares in companies where their MD has interest.

28. (A) Only I
The Reserve Bank has the authority to cancel a banking licence if a company ceases to conduct banking business in India or fails to meet regulatory conditions. Contrary to being final, any bank aggrieved by such a cancellation has the legal right to appeal the decision to the Central Government. This provides a formal mechanism for review and ensures administrative accountability.

29. (C) Transfer of shares of Banking Companies is exclusively governed by the Banking Regulation Act and exempt from the Companies Act, 2013.
While the Banking Regulation Act provides specific rules for share transfers, such as the requirement for Reserve Bank approval for acquisitions of five per cent or more, it does not exempt banks from the Companies Act. Banking companies must generally comply with both sets of regulations. The Reserve Bank maintains oversight by requiring reports on shareholdings and can restrict voting rights.

30. (D) Holding beneficial interest (with family) exceeding Rs. 5 lakh or ten per cent of the paid-up capital.
In the context of banking regulation, a person is considered to have a substantial interest in a company if they, along with their family members, hold beneficial interest in shares. The threshold is defined as a total paid-up amount exceeding five lakhs of rupees or ten per cent of the paid-up capital of the company, whichever is less. This prevents conflicts.

31. (C) I, II, IV, and V only
The Reserve Bank may appoint an additional director to serve in the public interest or for banking policy reasons. These directors serve at the pleasure of the Reserve Bank for up to three years. They are not required to hold qualification shares and are not counted for certain board proportions. Crucially, they do not incur personal liability for actions taken in good faith.

32. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 36AA of the Banking Regulation Act empowers the Reserve Bank to remove managerial personnel. A key feature of this provision is its overriding nature, which supersedes any other laws or contracts. Consequently, individuals removed under this section are legally barred from claiming compensation for loss of office. This ensures the regulator can act decisively to protect depositors without financial penalties.

33. (C) Six months
When a vacancy occurs in the office of the whole-time Chairman or Managing Director, the banking company may make temporary arrangements to perform those duties. According to the Banking Regulation Act, these temporary measures can only be maintained for a maximum duration of four months. Within this period, the bank must finalize a permanent appointment, which requires prior approval from the Reserve Bank.

34. (D) I, II, III, IV, and V
The Basel Committee's guidance on corporate governance for banks covers multiple dimensions of management and oversight. It emphasizes the roles of independent directors and the importance of managing conflicts of interest effectively. The framework also details the responsibilities of internal and external auditors and the supervisor's role. Promoting transparency and accountability is a central theme throughout the various sections of this guidance.

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35. (A) Only I
Section 10 of the Banking Regulation Act prohibits banking companies from employing individuals convicted of crimes involving moral turpitude. This maintains the integrity of the banking profession. While there are restrictions on profit-based remuneration, the Act does not automatically block the payment of bonuses to employees when such payments are made according to a legally binding settlement, award, or general scheme.

36. (A) I and II only
The OECD principles of corporate governance require a framework that is consistent with the rule of law and clearly defines shareholder rights. It also emphasizes the equitable treatment of all shareholders. However, the principles do not advocate for absolute confidentiality; instead, they stress the importance of timely and accurate disclosure of material matters to ensure transparency and market integrity.

37. (A) The whole-time chairman's term is capped at five years, with eligibility for re-election or re-appointment.
Under Section 10B, a whole-time Chairman or Managing Director is appointed for a term not exceeding five years at a time. They remain eligible for re-appointment or re-election. While their appointment requires Reserve Bank approval, they are permitted to serve as directors of subsidiaries. The management of the bank is the responsibility of the board and management, not the Central Government.

38. (D) A fine of Rs. 250 for each day during which the contravention continues.
If the Reserve Bank issues a removal order and directs a person to stop participating in management, that person must comply immediately. If they continue to act in their previous capacity despite the order, they face specific penalties under the Banking Regulation Act. This includes a fine of two hundred and fifty rupees for every day the contravention continues after the order.

39. (D) P-3, Q-4, R-1, S-2
Different organizations and experts have shaped corporate governance standards. The Basel Committee issued the 2006 guidance on enhancing governance, while the OECD established the widely recognized principles of corporate governance. In India, committees led by Dr. A.S. Ganguly and Dr. R.H. Patil provided specific recommendations on the roles of boards and governance practices for domestic banks to ensure financial stability.

40. (D) These sections override other laws/contracts and deny compensation for termination of office.
The overriding provisions in Sections 10A, 10B, and 10BB ensure that regulatory mandates regarding the appointment and removal of bank leadership take precedence over any conflicting laws, contracts, or internal articles. This legal power allows the Reserve Bank to enforce management standards without being hindered by existing agreements. It also explicitly prevents removed individuals from seeking compensation for their termination.

41. (A) P-1, Q-3, R-2, S-4
Regulatory circulars address specific governance aspects. The 2004 circular focused on fit and proper criteria for directors, while the 2021 notification capped the tenure of MDs and CEOs at fifteen years. The 2022 notification detailed board meeting and remuneration norms. Additionally, the 2006 Amendment Act introduced specific requirements for shareholder directors in public sector banks to ensure professional standards.

42. (C) Financial Services Institutions Bureau
Effective July 1, 2022, the Central Government established the Financial Services Institutions Bureau to replace the Banks Board Bureau. This body is responsible for recommending candidates for high-level appointments, including whole-time directors and non-executive chairpersons in public sector banks and financial institutions. The FSIB aims to improve the selection process and overall corporate governance within these critical financial entities.

43. (B) I and II only
When the Reserve Bank removes an official and appoints a replacement under Section 36AA, the new appointee holds office at the Reserve Bank's pleasure. The initial appointment can last up to three years and is renewable. Importantly, these appointees are legally protected from personal

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liability for any actions taken in good faith while performing their official duties under the Act.

44. (D) Mr. Davis's profit-sharing structure is prohibited, but paying the forwarding agent a commission is allowed.
Section 10 of the Banking Regulation Act restricts the forms of remuneration for bank employees. It specifically prohibits paying staff members a commission or a share in the bank's profits. However, this restriction does not apply to external entities such as forwarding agents. Therefore, paying a commission to an agent is permissible, whereas a profit-sharing arrangement for an employee is not.

45. (C) P-3, Q-4, R-1, S-2
Governance norms vary based on context. In restructuring weak banks, the Reserve Bank might permit higher shareholding levels. Industrial houses are generally restricted to ten per cent ownership with prior approval. Banks have the flexibility to set a retirement age for CEOs below seventy years. For re-appointments, a mandatory three-year cooling gap is required to ensure independence and management transition.

46. (B) The person is allowed to have substantial interest in any other company or firm provided it operates in the IT sector.
Section 10B(4) sets strict disqualification criteria for a whole-time Chairman or Managing Director. They are prohibited from having a substantial interest in any other company or firm, regardless of the sector. They also cannot be partners in any trading or industrial firm or engage in any other business or vocation. These rules ensure their complete commitment to the bank's management.

47. (B) They manage public funds in a fiduciary capacity and leverage them through credit, impacting the payment system.
Banks occupy a unique position in corporate governance because they operate primarily with public deposits rather than just shareholder equity. They act in a fiduciary capacity, managing and leveraging these funds through credit operations. This role makes them central to the payment system and the broader economy, necessitating more stringent oversight and specialized governance standards compared to ordinary commercial companies.

48. (B) Section 36AA – Power to remove managerial personnel
The Banking Regulation Act contains specific sections for different regulatory powers. Section 36AA explicitly empowers the Reserve Bank to remove managerial personnel if their conduct is detrimental to depositors or the public interest. While Section 10A deals with board composition and Section 10B focuses on the Chairman's role, Section 36AA is the primary provision for the removal of top bank executives.

49. (A) A committee of three or more persons constituted by the Reserve Bank in consultation with the Central Government.
When the Reserve Bank supersedes a bank's board under Section 36ACA, it appoints an Administrator to manage the bank's affairs. To assist this Administrator, the Reserve Bank, in consultation with the Central Government, constitutes a committee consisting of three or more persons. This committee provides expertise and oversight during the period of supersession, ensuring the bank continues to function effectively.

50. (C) I, II, and III only
The Reserve Bank can remove managerial personnel under Section 36AA based on specific grounds. These include acting in the public interest, preventing activities detrimental to depositors, or ensuring the proper management of the banking company. However, the failure to declare dividends for a certain number of years is not listed as a statutory ground for the removal of such personnel.

51. (C) Both I and II
Corporate governance guidelines for banks discourage having multiple family members on the same board to prevent concentrated control. Additionally, the "fit and proper" criteria for directors were developed following the recommendations of the Ganguly Committee. These practices aim to ensure that boards are composed of diverse, independent, and qualified individuals who can oversee the bank's operations in a professional manner.

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52. (C) Eight years
Under the Banking Regulation Act, there is a specific limit on how long an ordinary director can serve on a bank's board. No director, excluding the chairman or whole-time director, is permitted to hold office continuously for a period exceeding eight years. This regulation promotes board renewal and prevents the long-term entrenchment of individuals, which helps maintain independent oversight.

53. (C) To align bank policies with banking policy, public interest, or the interests of the bank and depositors.
The appointment of an additional director by the Reserve Bank under Section 36AB is a strategic regulatory tool. Its primary objective is to ensure that the banking company's management and policies align with the overall banking policy and the public interest. This intervention helps protect the interests of the bank and its depositors by providing direct regulatory oversight within the board.

54. (C) Building an environment of trust, transparency, and accountability for long-term stability and business integrity.
According to the OECD, the fundamental purpose of corporate governance is to build an environment characterized by trust, transparency, and accountability. This framework is essential for fostering long-term financial stability and ensuring business integrity. By implementing these principles, organizations can better manage risks, protect shareholder rights, and contribute to the overall health and sustainability of the financial markets and the economy.

55. (A) II, III, IV, I
The process of board supersession begins with the Reserve Bank's order for an initial six-month period. Following this, an Administrator and an advisory committee are appointed to manage the bank. If necessary, the supersession period can be extended up to a maximum of twelve months. Finally, the Administrator vacates the office once a new board is properly constituted and ready.

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56. (A) RBI may directly remove the person from the office and appoint a suitable person in his/her place.
If a bank fails to comply with a Reserve Bank order to remove a chairman deemed not "fit and proper," the regulator has further enforcement powers. The Reserve Bank can directly remove the person from office through a formal order. Subsequently, the Reserve Bank is also authorized to appoint a suitable person to fill the vacancy, ensuring that the bank's leadership meets standards.

57. (A) Industrial houses can acquire 51% of a private bank via strategic investment without RBI approval.
The 2005 RBI guidelines for private sector banks emphasize diversified ownership and control. No single entity or individual is generally allowed to own more than ten per cent of a bank. While higher stakes may be allowed in cases of bank restructuring, industrial houses are not permitted to acquire a fifty-one per cent controlling stake without rigorous regulatory oversight and specific approvals.

58. (A) Central Government within thirty days.
If the Reserve Bank issues an order affecting the appointment of a Managing Director under Section 10B(4), the aggrieved individual or the bank has a right to appeal. This appeal must be submitted to the Central Government. The statutory timeframe for filing this appeal is thirty days from the date the order was communicated. The Central Government's decision on this matter is final.

59. (C) Protecting minority and foreign shareholders and providing them opportunity for effective redress for rights violations.
The OECD principles mandate that the corporate governance framework must ensure the equitable treatment of all shareholders, including minority and foreign investors. This objective includes providing all shareholders with the opportunity to obtain effective redress for any violations of their rights. Such protections are vital for maintaining investor confidence and ensuring that corporate management remains accountable to the entire shareholder base.

60. (B) Section 29A – Commission, brokerage, discount limits
The Banking Regulation Act matches specific sections to regulatory functions. While Section 10 governs employment and Section 36ACA deals with board supersession, the limits for commission, brokerage, and discounts on share sales are actually found in Section 13, not Section 29A. Section 29A relates to the power of the Reserve Bank in respect of associate enterprises. This distinction is crucial for regulatory compliance.

61. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A mandatory three-year cooling period applies to outgoing MDs and CEOs in private sector banks. During this time, they cannot be associated with the bank or its group entities in any professional capacity. This rule ensures a clean break in leadership and prevents the outgoing executive from exerting influence over their successor, thereby supporting an objective and effective management transition.

62. (A) I, II, III, and V only
Banking regulations set several operational rules. Dividends can only be paid after writing off capitalized expenses, and significant share acquisitions require Reserve Bank approval. Banks can hold up to thirty per cent of another company's shares. Foreign banks must deposit twenty per cent of their Indian profits with the regulator. However, banks are permitted to form subsidiaries for credit information business.

63. (A) A customer holding a fixed deposit of Rs. 1 crore.
The "fit and proper" criteria are designed for those who exercise control or hold management positions in a bank. This includes directors, important shareholders holding five per cent or more, and the Chief Executive Officer. While regular customers, even those with large deposits, must follow standard KYC norms, they are not required to meet the specific "fit and proper" corporate governance criteria.

64. (A) The person is entitled to severance compensation for loss of office as per their contract.
A removal order under Section 36AA carries significant legal consequences. The individual must immediately vacate their office and is barred from bank management for five years. They also face fines for non-compliance. However, due to the overriding nature of the provision, the removed person is explicitly denied any right to claim severance compensation for the loss of their office or position.

65. (C) During the cooling period, the individual is permitted to be associated with the bank as an advisor or consultant.
The regulations regarding the tenure of top bank executives are very strict. An MD or CEO can serve for a maximum of fifteen years and must retire by age seventy. During the mandatory three-year cooling period, the individual is strictly prohibited from any association with the bank, including roles as an advisor or consultant. This ensures a complete transition of authority and influence.

66. (B) MD&CEO maximum tenure is 20 years continuously without any mandatory cooling period.
The regulatory framework for bank management specifies that an MD and CEO cannot hold the position for more than fifteen consecutive years. Additionally, a three-year cooling period is mandatory before any potential re-appointment or further association. Other rules, such as the definition of substantial interest and the requirements for board reconstitution to maintain a majority of experts, are correctly established by law.

67. (C) Adherence to the milestones for dilution of the promoters' shareholding in the bank.
When considering an extension for a promoter MD and CEO beyond twelve years up to a maximum of fifteen years, the Reserve Bank evaluates specific criteria. A primary factor is whether the promoter has successfully adhered to the established milestones for diluting their shareholding in the bank. This ensures that the bank moves toward a more diversified and professionally managed ownership structure.

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68. (C) Both I and II
Generally, an MD and CEO who is also a promoter can hold the post for a maximum of twelve years. However, the Reserve Bank retains the discretion to extend this tenure up to fifteen years under extraordinary circumstances. This policy balances the need for stable leadership with the regulatory goal of transitioning toward professional management and broader ownership within private sector banking entities.

69. (D) I, II, and III only
Banking regulations require prior Reserve Bank approval for part-time chairmen and limit whole-time chairmen to five-year terms. The Reserve Bank also has the power to appoint additional directors for up to three years. However, contrary to the incorrect statement, additional directors appointed by the regulator are specifically exempt from any requirement to hold qualification shares in the banking company they serve.

70. (C) By a transferee who has obtained a transfer from the registered holder in accordance with the law.
Section 12(3) protects the rights of registered shareholders. No suit or proceeding regarding the beneficial interest in a share can be maintained against the registered holder unless brought by a transferee. This person must have obtained a transfer from the registered holder in accordance with the law. This ensures legal certainty and protects the bank from disputes over unrecorded beneficial ownership.

71. (D) No, as he must undergo a three-year cooling period before any re-appointment or association with the bank.
Under the current RBI notifications, an individual who has completed a fifteen-year tenure as an MD and CEO or Whole Time Director is subject to a mandatory three-year cooling period. During this time, they cannot be re-appointed or associated with the bank in any capacity. Even if the individual is below the retirement age, this cooling-off period must be strictly observed.

72. (B) 2004
The OECD originally published its principles of corporate governance in 1999 to provide a global benchmark for good governance. These principles were subsequently revised and reissued in 2004. The 2004 version detailed what a corporate governance framework should ensure, focusing on shareholder rights, equitable treatment, and the role of stakeholders, becoming a foundational document for international financial and regulatory standards.

73. (B) I, III, IV, and V only
Corporate governance involves thorough due diligence on directors. The Financial Services Institutions Bureau currently operates with a small, dedicated secretariat. Licensing rules allow for temporary exhibition branches without prior permission and empower the Reserve Bank to demand higher capital than the statutory minimum. Note that the OECD principles explicitly include the protection of foreign shareholders, making the second statement incorrect.

74. (D) Small Finance Banks must be registered as public limited companies under the Companies Act, 2013.
Small Finance Banks (SFBs) are required by regulatory guidelines to be registered as public limited companies under the Companies Act, 2013. Other licensing rules, such as those for universal banks, still require strict adherence to fit and proper criteria. Furthermore, the cancellation of a licence is an RBI process, and temporary branches for exhibitions are exempt from needing prior permission.

75. (A) Appeal to the Central Government within 30 days; the Central Government's decision shall be final.
If a bank's licence is cancelled by the Reserve Bank under Section 22, the bank has the right to appeal the decision. This appeal must be made to the Central Government within a period of thirty days. According to the Banking Regulation Act, the decision made by the Central Government on such an appeal is considered final and legally binding.

76. (D) The appellate decision of the Central Government is subject to review and challenge in any Civil Court.
An individual removed by the Reserve Bank under Section 36AA can appeal to the Central Government within thirty days. The law specifies that the Central Government's decision on this appeal is final. Consequently, this decision cannot

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be reviewed or challenged in any civil court. This finality is intended to ensure swift and decisive action in matters involving the management of banks.

77. (A) I and II only
The 2019 guidelines for on-tap licensing of Small Finance Banks detail eligible promoter criteria and the mandatory "fit and proper" standards. They also outline the permissible scope of banking activities and the specific capital requirements for these entities. However, there is no requirement for these banks to transition into branches of foreign banks; they operate as distinct domestic banking entities.

78. (B) I, II, III, and IV
The corporate governance framework for Indian banks is built upon various foundational materials. These include international guidelines from the Basel Committee and domestic standards from the Companies Act, 2013. Additionally, SEBI's listing regulations and older RBI circulars, such as those detailing do's and don'ts for directors, provide the basis for the comprehensive recommendations found in modern regulatory circulars.

79. (B) A subsidiary can conduct banking exclusively outside India with prior Reserve Bank permission.
Section 19 of the Banking Regulation Act defines the narrow scope for bank subsidiaries. A banking company is permitted to form a subsidiary to carry on banking business exclusively outside of India, provided it obtains prior permission from the Reserve Bank. Other commercial or industrial activities, such as manufacturing or speculative trading, are generally prohibited to maintain the bank's financial stability.

80. (A) P-4, Q-3, R-2, S-1
The Banking Regulation Act prescribes various time limits and penalties. A fine of two hundred and fifty rupees per day applies for violating removal orders. An ordinary director can manage another company for only three months without an extension. Board supersession can be extended to a maximum of twelve months, while an ordinary director's continuous tenure is capped at eight years.

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CHAPTER 03
Regulation of Banking Business

May/June 2014

1. Consider the following statements regarding Unclaimed Deposits and the Depositor Education and Awareness Fund (DEAF):

I. Banks must file a return on unclaimed deposits within thirty days of the end of each calendar year.

II. Inoperative deposit accounts not operated for ten years or more are transferred to the DEAF within three months from the expiry of the ten-year period.

III. Once transferred to the DEAF, the original depositor or legal heir irrevocably loses the right to claim back the amount.

Which combination of the above statements is correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2020

2. Consider the following statements regarding the Marginal Cost of Fund Based Lending Rate (MCLR):

I. It was implemented on 1 April 2016 to replace the Base Rate system.

II. It is determined by the average cost of funds rather than the marginal cost.

III. It takes into account the repo rate, which did not form part of the base rate.

IV. Negative carry on account of mandatory CRR is factored into its calculation.

V. Tenor premium incorporated into MCLR should be borrower-specific to account for individual credit risk.

Which combination of the above statements is correct?

(A) I, II, and IV
(B) I, III, and IV
(C) II, IV, and V
(D) I, III, and V

May/June 2005

3. The following question consists of two statements, an Assertion (A) and a Reason (R). Read them and select the correct option.

Assertion (A): Directions issued by the Reserve Bank under Sections 21 and 35A of the Banking Regulation Act are binding on banks even if they do not specifically state they are 'statutory instructions'.

Reason (R): These directions are statutory in nature and are issued to regulate banking companies in the public interest and for banking policy.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2017

4. A borrower defaults on a commercial bank loan and approaches a civil court claiming the interest rate charged is exorbitant, seeking relief under the Usurious Loans Act, 1918. How does Section 21A of the Banking Regulation Act affect this dispute?

(A) The court is empowered to lower the interest rate if it exceeds the bank's published MCLR by more than 5%.
(B) The court must refer the matter directly to the Banking Ombudsman for binding arbitration.
(C) The transaction cannot be reopened by the court on the ground that the rate of interest charged is excessive.
(D) Section 21A offers no protection to the bank if the loan is explicitly categorized as an agricultural advance.

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May/June 2021

5. Consider the following statements regarding the release of safe deposit locker contents to a nominee or survivor:

I. Banks must exercise due care and caution in establishing the identity of the survivor or nominee and the fact of death of the locker hirer.

II. Banks must diligently verify if there is any court order restraining them from giving access to the locker.

III. Banks must explicitly clarify that access is given to the nominee only as a trustee of the legal heirs.

IV. Giving access to a nominee extinguishes all rights and claims that any legal heir may have against the nominee.

Which combination of the above statements is correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

Oct/Nov 2008

6. A State Co-operative Bank applies to the RBI for permission to offer Internet Banking with transactional facility. Its financials show a CRAR of 11%, Networth of Rs. 60 crore, Gross NPAs at 8%, and Net NPAs at 2.5%. It has recorded net profits in three of the preceding four years. Based on the RBI circular dated November 05, 2015, what will be the likely outcome of the application?

(A) Approved, as all criteria including CRAR, Networth, and Net NPA limits are met.
(B) Rejected, because the Gross NPAs exceed the permissible threshold of less than 7%.
(C) Rejected, because Networth is below the required minimum of Rs. 100 crore.
(D) Approved, provided they deploy an additional professional director on the Board.

May/June 2019

7. Which two new sections were re-inserted by the Banking Regulation (Amendment) Act, 2017, empowering the Reserve Bank of India to directly intervene in settling bad loan cases?

(A) Sections 35A and 35B
(B) Sections 35AA and 35AB
(C) Sections 21A and 21B
(D) Sections 26A and 26B

Oct/Nov 2013

8. The following question consists of two statements, an Assertion (A) and a Reason (R). Read them and select the correct option.

Assertion (A): A banking company requires prior permission from the Reserve Bank of India under Section 20A of the Banking Regulation Act to remit any debt owed by its directors.

Reason (R): Section 20A aims to prevent arbitrary debt forgiveness to related parties, and any remission made in contravention of this provision is void and has no effect.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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May/June 2011

9. From which date were all new floating rate loans to Medium Enterprises extended by banks benchmarked to an external benchmark?

(A) October 01, 2019
(B) January 01, 2020
(C) April 01, 2020
(D) July 01, 2020

Oct/Nov 2025

10. What is the specified rate of interest payable on the principal amount of interest-bearing deposits transferred to the DEAF account, effective from May 11, 2021, till the time of payment to the claimant?

(A) 4.0 per cent
(B) 3.5 per cent
(C) 3.0 per cent
(D) 2.5 per cent

May/June 2007

11. Which of the following is the most appropriate requirement for an institution to participate in Inter-bank payment gateways for Internet payment?

(A) The institution must possess a minimum Networth of Rs. 500 crore.
(B) The institution must have foreign equity participation not exceeding 49%.

(C) The institution must process all cross-border e-commerce transactions through the gateway.
(D) The institution must be a member of the cheque clearing system in the country.

Oct/Nov 2011

12. What specific power is granted to the Reserve Bank of India under Section 36(1)(a) of the Banking Regulation Act regarding banking companies?
(A) The power to dictate the exact dividend payout ratio annually to satisfy capital requirements.
(B) The power to directly appoint the chief executive officer or director without board consensus.
(C) The power to caution or prohibit banking companies from entering specific transactions.
(D) The power to mandate the immediate closure or relocation of loss-making rural bank branches.

May/June 2024

13. Arrange the following benchmark regimes for lending rates mandated by the RBI in the correct chronological order of their introduction:
1. External Benchmark Based Lending
2. Benchmark Prime Lending Rate (BPLR)
3. Marginal Cost of Fund based Lending Rate (MCLR)
4. Base Rate

(A) 2, 4, 3, 1
(B) 4, 2, 3, 1
(C) 2, 3, 4, 1
(D) 4, 3, 2, 1

Oct/Nov 2006

14. Which of the following statements correctly represents the powers of the Reserve Bank under Section 21 of the Banking Regulation Act?
(A) The Reserve Bank can regulate lending rates but cannot dictate the margins to be maintained in respect of secured advances.
(B) The Reserve Bank can issue directions primarily to dictate the dividend declaration policy of a banking company.
(C) The Reserve Bank can issue directions determining the maximum amount of advances that may be made to any company or firm.
(D) The Reserve Bank is prohibited from issuing directions that are specific to a particular banking company rather than banking companies generally.

May/June 2018

15. Identify the incorrect pair regarding internet banking security and regulatory concepts.
(A) DDoS — Distributed Denial of Service attack aiming to overload the system.
(B) PKI — Public Key Infrastructure used for secure Internet banking services.
(C) Ethical Hackers — Outside experts engaged to perform system penetration testing.
(D) Logical access controls — Physical security guards deployed at disaster recovery sites.

Oct/Nov 2019

16. According to the Supreme Court judgement in State Bank of India vs. CIT (AIR 1986 SC 757), what is the legal standing of non-statutory circulars issued by the Reserve Bank of India?
(A) They cannot affect the legal rights of individuals.
(B) They have the force of a legislative statute.
(C) They override all prior contractual agreements.
(D) They are binding on both banks and the general public.

May/June 2022

17. Under the External Benchmark Based Lending framework, when is it most appropriate for a bank to alter the credit risk premium component of the spread?
(A) When the borrower's credit assessment undergoes a substantial change as agreed in the loan contract.
(B) At the beginning of every financial year to align with the bank's revised internal credit policy.
(C) Only during specific instances when the external benchmark itself is reset by the central bank.
(D) Whenever the bank's overall operating and administrative costs increase by a significant margin.

Oct/Nov 2009

18. According to RBI guidelines, eligible amounts to be credited to the DEAF account include credit balances in various accounts not operated for

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ten years or more. Which of the following is an EXCEPTION and is NOT eligible for transfer to the DEAF account?

(A) Inter-bank deposit balances and Vostro accounts.
(B) Undrawn balance amounts remaining in prepaid cards with no maturity period.
(C) Margin money against the issue of a Letter of Credit or Guarantee.
(D) Outstanding telegraphic transfers and unadjusted National Electronic Funds Transfer (NEFT) credit balances.

May/June 2015

19. Match the lending rate regimes in List I with their defining characteristics in List II.

List I: (Lending rate regimes)
P. BPLR System
Q. Base Rate System
R. MCLR System
S. External Benchmark

List II: (Defining characteristics)
1. Mandated linkage to market rates like Repo Rate or Treasury Bill yields.
2. Criticized because banks could frequently lend below this benchmark.
3. Arrived at by factoring in tenor premium, negative carry on CRR, and marginal cost of funds.
4. Introduced in July 2010 to enhance transparency and enable better assessment of monetary policy transmission.

(A) P-4, Q-2, R-1, S-3
(B) P-3, Q-4, R-2, S-1
(C) P-2, Q-4, R-3, S-1
(D) P-1, Q-3, R-4, S-2

Oct/Nov 2022

20. Section 20 of the Banking Regulation Act imposes restrictions on loans and advances to directors and their interests. Which of the following is an EXCEPTION to this prohibition?

(A) A company registered under Section 25 of the Companies Act, 1956 (or Section 8 of the Companies Act, 2013) in which a director is interested.
(B) A firm in which a director of the bank is interested as a partner.
(C) A firm in which a director of the bank is interested as a guarantor.
(D) A company in which a director of the bank holds substantial interest.

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May/June 2012

21. Consider the following statements concerning the legal issues of Internet Banking as per RBI guidelines:

I. Account opening requests received over the Internet should be processed immediately without physical verification to promote digital adoption.
II. Security procedures adopted by banks for authenticating users must be recognized by law as a substitute for signature.
III. Banks need to institute adequate risk control measures to manage liabilities arising from unauthorized transfers through hacking.
IV. The Consumer Protection Act is entirely inapplicable to digital banking services, leaving customers to rely solely on banking ombudsmen.

Which combination of the above statements is correct?

(A) I and IV
(B) II and III
(C) I, II, and III
(D) II, III, and IV

Oct/Nov 2005

22. Consider the following statements regarding the regulation of deposit acceptance by banks:

(A) The essence of banking business involves the acceptance of deposits from the public withdrawable by cheque.
(B) The Banking Regulation Act contains a dedicated chapter that comprehensively codifies all technical procedures for deposit interest calculation.
(C) Section 35A(c) of the BR Act provides wide enough powers for the RBI to issue directions regarding the acceptance of deposits in the interest of banking policy.
(D) Deposits garnered by Regional Rural Banks and Cooperative Banks are brought under the purview of the DICGC Amendment Act, 2021.

May/June 2010

23. A sole locker hirer appoints a minor as a nominee and designates an adult to receive the locker's contents on behalf of the minor in the event of death. The hirer dies, and the bank provides access to the appointed adult. Subsequently, a legal heir claims the contents, challenging the

bank's action. How does the Banking Regulation Act view the bank's liability in this scenario?
(A) The bank is liable to the legal heir because minor nominations for safe deposit lockers are strictly prohibited.
(B) The bank must freeze the locker until a valid succession certificate or probate of will is produced by the legal heir.
(C) The bank is required to distribute the contents equally between the appointed adult and the legal heir.
(D) The bank receives a valid discharge by following the prescribed procedure to grant access to the appointee.

Oct/Nov 2015

24. Consider the following benchmarks available to banks for linking new floating rate retail loans under the External Benchmark regime:
I. Reserve Bank of India policy repo rate.
II. Government of India 3-Months Treasury Bill yield published by the FBIL.
III. Government of India 6-Months Treasury Bill yield published by the FBIL.
Which combination of the above statements is correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2008

25. The Reserve Bank directs a reduction in the interest rate on bank loans to victims of a riot. A borrower holding a loan from a financial institution demands a similar concession, arguing discrimination. Based on the Supreme Court ruling in Harjit Singh vs Union of India, what is the legal position?
(A) The concession applies only to commercial banks; financial institutions are constitutionally exempt from specific RBI interest directives.
(B) The concession must be extended to loanees of financial institutions to avoid discrimination against bank loanees.
(C) The financial institution borrower is entitled to the concession only if the original loan was sanctioned during the riot period.
(D) The RBI directive is deemed ultra vires since it violates constitutional principles of equality by exclusively targeting riot victims.

Oct/Nov 2018

26. The Reserve Bank of India issues directions to supersede the board of a co-operative bank to secure its proper management. The bank challenges this action in court. Based on the legal precedent set in RBI vs Harisidh Co-op. Bank Ltd. (AIR 1988 Guj 107), under what primary condition will the RBI's action be upheld?
(A) The action must be supported by a resolution from the state government.
(B) The action must be ratified by a two-thirds majority of the bank's shareholders.
(C) The action must be preceded by a minimum of three warning notices.
(D) The action must be exercised with bona fide intentions and without mala fide.

May/June 2016

27. Consider the following statements regarding the RBI technology and security standards for Internet Banking:
I. Banks must establish logical access controls, which may include biometric technologies.
II. Public Key Infrastructure (PKI) is recommended as the most favoured technology for secure Internet banking.
III. Ethical Hackers should be excluded from carrying out penetration testing to avoid data breach risks.
IV. Backup data should be tested periodically to ensure recovery without transaction loss.
V. All received and sent messages must be kept exclusively in encrypted form, discarding decrypted versions to save space.
Which combination of the above statements is correct?
(A) I, II, and IV
(B) II, III, and V
(C) I, III, and IV
(D) I, II, and V

Oct/Nov 2024

28. Identify the correct pair connecting the specific nomination activity to its corresponding Section under the Banking Regulation Act.
(A) Nomination for Safe Deposit Lockers — Section 45ZE
(B) Nomination for Repayment of Deposits — Section 45ZC
(C) Nomination for Articles in Safe Custody — Section 45ZA
(D) Nomination for Articles in Safe Custody —

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Section 45ZE

May/June 2006

29. Consider the following statements highlighting the differences between the MCLR and the Base Rate:

I. The Base Rate is calculated by considering the average cost of funds, whereas MCLR uses the current cost of funds.

II. The MCLR takes into account the repo rate, which did not form part of the Base Rate.

Which of the statements is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2014

30. What is the primary purpose of Selective Credit Control (SCC) measures imposed by the Reserve Bank of India?

(A) To mandate minimum lending targets for agricultural growth and various priority sector advances.
(B) To strictly regulate the maximum interest rate that can be charged to customers on unsecured personal loans.
(C) To ensure foreign banks allocate a specific percentage of their capital to domestic infrastructure projects.
(D) To prevent speculative hoarding of essential commodities and basic raw materials using bank credit.

May/June 2023

31. Consider the following statements regarding the issuance conditions of Commercial Paper (CP):

I. The minimum denomination of a CP shall be Rs. 5 lakh and multiples thereof.

II. Standard options (call/put) are strictly not permitted on Commercial Papers.

III. If an issuer's total CP issuance during a calendar year is Rs. 1000 crore or more, they must obtain ratings from at least two SEBI-registered CRAs.

Which combination of the above statements is correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

NODIA

Oct/Nov 2007

32. A foreign bank operates a branch network in India and generates an annual profit. According to the Banking Regulation Act, how must this foreign bank fulfill its obligation regarding the creation of a reserve fund?

(A) It must transfer 25% of its global net profits to a reserve fund held in its home country.
(B) It must deposit with the RBI twenty per cent of the annual profit earned from its Indian business operations.
(C) It must establish a localized reserve fund under Section 17(1) in a manner identical to Indian incorporated banks.
(D) It is completely exempt from any reserve fund obligations or equivalent deposit requirements under current regulations.

May/June 2025

33. Match the participant categories in List I with their prudential limits for Call and Notice Money borrowing in List II.

List I: (Participant categories)

P. Scheduled Commercial Banks
Q. Co-operative Banks
R. Primary Dealers
S. Payment Banks

List II: (Prudential limits)

1. 225% of Net Owned Fund (NOF) at the end of the previous financial year on a daily average basis.
2. 100% of capital funds on a daily average basis, and 125% on any given day.
3. 2.0% of aggregate deposits as at the end of the previous financial year.
4. Identical limits to Scheduled Commercial Banks (100% average, 125% maximum).

(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-3, S-2
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-2, R-4, S-1

Oct/Nov 2021

34. A scheduled commercial bank is required to maintain a minimum CRR balance of 90 per cent of its stipulated requirement on all days. During a reporting fortnight, its balance falls short. What is the immediate penalty imposed on the bank for this first fortnight of shortage?

(A) A fine of Rs. 10 Lakhs levied immediately on the Board of Directors.
(B) Penal interest at the rate of five per cent

above the bank rate on the shortfall.
(C) Prohibition from accepting any fresh deposits for the subsequent quarter.
(D) Penal interest at the rate of three per cent above the bank rate on the shortfall.

May/June 2009

35. What is the most appropriate minimum rank for an officer appointed as the Principal Nodal Officer by a Regulated Entity under the Integrated Ombudsman Scheme?
(A) Assistant General Manager
(B) Deputy General Manager
(C) General Manager or equivalent
(D) Executive Director

Oct/Nov 2012

36. Consider the following statements regarding the Cash Reserves of Non-Scheduled Banks:
I. Under Section 18 of the Banking Regulation Act, their cash reserve must be maintained exclusively with the Reserve Bank.
II. The balance maintained should not be less than three per cent of the demand and time liabilities.
III. The bank must submit a return to the Reserve Bank before the twentieth day of every month showing the amount held.
Which combination of the above statements is correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2013

37. Under Section 45W of the Reserve Bank of India Act, how is Commercial Paper (CP) formally defined?
(A) As a money market instrument
(B) As an equity-linked instrument
(C) As a statutory liquidity asset
(D) As a long-term capital derivative

Oct/Nov 2010

38. Which of the following statements regarding the relationship between the Banking Ombudsman and Debt Recovery Tribunals is incorrect?
(A) The object of the ombudsman scheme is the resolution of complaints relating to the provision of banking services.
(B) The purpose of the DRT Act is to establish tribunals for the expeditious adjudication and recovery of debts due to banks.
(C) The complex legal procedures existing prior to the DRT Act blocked significant funds of banks in various unproductive assets.
(D) The ombudsman scheme possesses statutory authority to override the provisions of the DRT Act regarding debt recovery.

May/June 2017

39. For the purpose of calculating the required Cash Reserve Ratio (CRR), what is the most appropriate definition of 'average daily balance'?
(A) The average of balances held at the close of business of each working Monday over a month.
(B) The median balance recorded on the 15th and the last day of the calendar month.
(C) The absolute minimum balance held on any single day during a designated quarter.
(D) The average of the balances held at the close of business of each day for a fortnight.

Oct/Nov 2023

40. The Integrated Ombudsman Scheme 2021 adopts a "One Nation One Ombudsman" approach. What is the fundamental conceptual change introduced by this approach compared to prior schemes?
(A) It abolishes the right of regulated banks to appeal any award or decision issued by the appointed ombudsman.
(B) It replaces all internal bank grievance redressal cells with a single RBI-operated portal.
(C) It limits complaints solely to failures in digital transactions and various internet banking services.
(D) It makes the ombudsman mechanism jurisdiction neutral, eliminating the need to file complaints at specific regional offices.

May/June 2020

41. Consider the following statements regarding the Statutory Liquidity Ratio (SLR):
I. Every banking company must maintain SLR under Section 24 of the Banking Regulation Act.
II. The value of SLR assets shall not be less than a percentage not exceeding 40 per cent of total demand and time liabilities.
III. Non-scheduled banks are completely

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exempt from maintaining any liquid assets under Section 24.

IV. For ensuring compliance, a monthly return must be submitted not later than twenty days from the end of the month.

Which combination of the above statements is correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, II, and IV
(D) I, III, and IV

Oct/Nov 2016

42. A corporate body intends to issue Commercial Paper (CP) in the Indian market. It possesses a net worth of Rs. 85 crore and its fund-based facility with a financing bank is currently classified as a standard asset. Does the corporate meet the eligibility criteria to issue CP?

(A) Yes, because its net worth exceeds the minimum of Rs. 4 crore and its fund-based facility is classified as a standard asset.
(B) Yes, provided it obtains a credit rating of 'A2' from a registered CRA.
(C) No, because the required minimum net worth for corporate issuers is Rs. 100 crore or higher.
(D) No, because only Non-Banking Finance Companies (NBFCs) can issue CPs.

May/June 2014

43. Under Section 17(1) of the Banking Regulation Act, banking companies incorporated in India must create a reserve fund. While the statutory minimum transfer is twenty per cent of profits, what is the mandated percentage of net profit (before appropriation) that the RBI instructed banks to transfer via its September 23, 2000 circular?

(A) Not less than 20%
(B) Not less than 25%
(C) Not less than 30%
(D) Not less than 35%

Oct/Nov 2020

44. A customer files a complaint with the Banking Ombudsman. While the ombudsman is considering the claim, the customer concurrently files a case regarding the identical subject matter with the Debts Recovery Tribunal (DRT). Based on the Supreme Court's observation in M/s Durga Hotel Complex vs. Reserve Bank of India, what is the correct procedural outcome?

(A) The ombudsman and the DRT must issue a joint ruling to prevent conflicting judgments.
(B) The ombudsman retains exclusive jurisdiction over the case because the complaint was originally filed there first.
(C) The DRT case is automatically stayed by law until the appointed ombudsman pronounces a final and binding award.
(D) The ombudsman is divested of jurisdiction and must decline to pass any order or award on the matter.

May/June 2005

45. The following question consists of two statements, an Assertion (A) and a Reason (R). Read them and select the correct option.

Assertion (A): Currently, the Reserve Bank of India does not pay any interest to scheduled banks on any portion of their CRR balances.

Reason (R): The 2006 amendment to the RBI Act omitted sub-Section (1B) of Section 42, thereby removing the authorization for the RBI to pay interest on CRR balances.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2017

46. Which of the following entities is explicitly permitted by the RBI Master Direction to participate in the Call, Notice, and Term Money Market both as a borrower and a lender?

(A) Local Area Banks
(B) Payment Banks
(C) Non-Banking Financial Companies
(D) All India Financial Institutions

NODIA

May/June 2021

47. Match the statutory returns in List I with the category of banks required to submit them for CRR/SLR compliance in List II.

List I: (Statutory returns)

P. Form A
Q. Form B

R. Form I (under Sec 18 BR Act)
S. Form VIII

List II: (Category of banks)
1. Scheduled Co-operative Banks
2. Scheduled Commercial Banks (for CRR)
3. Scheduled Commercial Banks (for SLR)
4. Non-scheduled Co-operative Banks

(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2008

48. Within what timeframe must a regulated entity reply to a customer's complaint before the customer can escalate the issue to the Integrated Ombudsman Scheme 2021?
(A) 15 days
(B) 30 days
(C) 45 days
(D) 60 days

May/June 2019

49. Consider the following statements regarding the appropriation from the Reserve Fund/Share Premium Account:
I. Any appropriation from the reserve fund must be reported to the Reserve Bank within twenty-one days of such appropriation.
II. The banking company is exempt from explaining the circumstances of the appropriation if the amount is below Rs. 1 crore.

Which of the statements is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2013

50. A Banking Ombudsman issues an award favoring a customer regarding interest rates but conspicuously ignores specific RBI circulars on the matter. The bank challenges the award. According to the Supreme Court ruling in Canara Bank vs P.R.N. Upadhyaya (AIR 1998 SC 3000), what is the validity of the ombudsman's award?
(A) The award is sustainable because the ombudsman acts as an independent arbitrator free from RBI circular constraints.
(B) The award is considered valid only if the named complainant provides a formal written acceptance within 30 days.
(C) The award is not sustainable because the ombudsman must comply with all RBI directions and circulars under the Act.
(D) The award is binding on the bank immediately, though the RBI reserves the right to impose a secondary penalty.

May/June 2011

51. To revitalize bank credit flow, the RBI allowed Scheduled Commercial Banks to deduct credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for CRR computation. What was the stipulated time period during which these disbursements had to be made to qualify for this specific exemption?
(A) Up to the fortnight ending March 31, 2021
(B) Up to the fortnight ending July 31, 2021
(C) Up to the fortnight ending December 31, 2021
(D) Up to the fortnight ending March 31, 2022

Oct/Nov 2025

52. According to the guidelines on Commercial Paper, which of the following categories is an EXCEPTION and is NOT permitted to invest in CPs?
(A) Resident Indian individuals
(B) Non-residents permitted under FEMA, 1999
(C) Corporate bodies with a net worth below Rs. 100 crore
(D) Related parties of the issuer in the primary market

May/June 2007

53. Identify the correct pair matching the repealed Ombudsman scheme with its respective year of implementation prior to the 2021 integration.
(A) Banking Ombudsman Scheme — 2018
(B) Ombudsman Scheme for Non-Banking Financial Companies — 2019
(C) Ombudsman Scheme for Digital Transactions — 2019
(D) Banking Ombudsman Scheme — 2002

Oct/Nov 2011

54. In calculating the liabilities for Cash Reserve Ratio (CRR) purposes, certain amounts are excluded. Which of the following is an EXCEPTION and is NOT excluded from the liabilities computation?

(A) Amounts borrowed from the Reserve Bank.
(B) Amounts borrowed from the Export-Import Bank of India (Exim Bank).
(C) Demand deposits accepted from retail customers.
(D) Paid-up capital and reserves of the banking company.

May/June 2024

55. How is 'Financial Stability' defined from a macro prudential perspective in the RBI's first India Financial Stability Report published in March 2010?
(A) A situation where the financial sector provides critical services to the real economy without any discontinuity.
(B) A situation where banking profits increase consistently and significantly over a period of four consecutive quarters.
(C) A condition where the central bank holds foreign exchange reserves exceeding total external debt.
(D) A regulatory environment that is completely and permanently free of bad loans and non-performing assets.

Oct/Nov 2006

56. Consider the following statements regarding Certificate of Deposits (CDs):
I. CDs can be issued by Scheduled Commercial Banks, Regional Rural Banks, and Small Finance Banks.
II. Banks are strictly prohibited from granting loans against CDs, unless specifically permitted by the Reserve Bank.
Which of the statements is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

May/June 2018

57. Arrange the following regulatory consequences for continued failure to maintain the stipulated Cash Reserve Ratio (CRR) in the correct chronological order as prescribed:
1. Every director, manager, or secretary knowingly party to the default becomes punishable with a fine.
2. Penal interest is charged at three per cent above the bank rate.
3. Penal interest increases to five per cent above the bank rate.
(A) 2, 3, 1
(B) 1, 2, 3
(C) 2, 1, 3
(D) 3, 2, 1

Oct/Nov 2019

58. Consider the following features of the Integrated Ombudsman Scheme 2021:
I. It is no longer necessary for a complainant to identify under which scheme to file the complaint.
II. The Scheme defines 'deficiency in service' as the ground for filing a complaint, removing simple rejections for "not covered under the grounds".
III. A Centralised Receipt and Processing Centre has been established in Mumbai.
IV. The Regulated Entity has no right to appeal an Award if it is issued because the entity failed to furnish satisfactory and timely information.
Which combination of the above statements is correct?
(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

May/June 2022

59. Consider the following criteria under Section 42(6) of the Reserve Bank of India Act for a bank to be included in the second schedule (Scheduled Banks):
I. It has a paid-up capital and reserves of an aggregate value of not less than Rs. 5 lakh.
II. It satisfies the Reserve Bank that its affairs are not conducted in a manner detrimental to the interests of depositors.
III. It can be a state co-operative bank.
IV. It can be an institution notified by the Central Government in this behalf.
V. It can be a corporation or a company incorporated outside India under foreign laws.
Which combination of the above statements is correct?
(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, II, III, IV, and V

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Oct/Nov 2009

60. The following question consists of two statements, an Assertion (A) and a Reason (R). Read them and select the correct option.
Assertion (A): An award passed by the Banking Ombudsman is not immediately binding on the bank against which it is passed.
Reason (R): The award becomes binding only if the complainant furnishes a letter of acceptance of the award in full and final settlement within a period of thirty days from the date of receipt of the copy of the award.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2015

61. Match the legal case in List I with its core regulatory principle established or referenced in List II.
List I: (Legal case)
P. BOI Finance Ltd. vs. The Custodian
Q. RBI vs Harisidh Co-op. Bank Ltd.
R. Harjit Singh vs Union of India
S. Durga Hotel Complex vs RBI
List II: (Core regulatory principle)
1. Ombudsman loses jurisdiction if the subject matter is taken to a competent court or tribunal.
2. RBI's power to supersede a board must be exercised with bona fide intentions.
3. Violation of RBI directions renders banks liable to prosecution but does not invalidate third-party contracts.
4. Concessions in interest rates (e.g., to riot victims) must not discriminate between banks and financial institutions.
(A) P-3, Q-2, R-4, S-1
(B) P-1, Q-4, R-2, S-3
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-1, S-4

Oct/Nov 2022

62. A banking company incorporated in India prepares its annual profit and loss account. It plans to declare a dividend to its shareholders but has only transferred 10% of its profits to the reserve fund under Section 17(1) of the BR Act. Can the bank legally declare the dividend?
(A) No, because it must transfer at least twenty per cent of profits to the reserve fund before declaring any dividend.
(B) Yes, provided that the total dividend payout ratio remains below fifteen per cent of the year's total net profits.
(C) Yes, if it is a scheduled bank that has maintained its CRR without default for the entire year.
(D) No, because all dividend declarations require the prior written approval of the jurisdictional Banking Ombudsman.

May/June 2012

63. Regarding the quarterly position of assets under Section 25 of the BR Act, which of the following statements about the definitions of 'Assets in India' and 'liabilities' is incorrect?
(A) Approved bills and securities held outside India are excluded and never treated as assets in India.
(B) Assets in India include export bills drawn in India.
(C) Assets in India include import bills drawn on and payable in India expressed in approved currencies.
(D) The paid-up capital, reserves, and credit balance in the profit and loss account are not treated as 'liabilities in India'.

Oct/Nov 2005

64. Which of the following statements regarding the treatment of unclaimed foreign currency deposits under the DEAF scheme is incorrect?
(A) The Fund is liable to refund the amount in the original foreign currency to protect against any exchange risk.
(B) The total amount shall be converted into Indian Rupees at the specific time of its transfer to the DEAF account.
(C) The currency conversion must use the prevailing exchange rate as on the actual date of the funds transfer.
(D) The Fund is liable to refund only the Indian Rupees it originally received with respect to the transaction.

May/June 2010

65. A banking company's liquid asset balance falls below the minimum Statutory Liquidity Ratio

NODIA

(SLR) requirement on an alternate Friday. According to the Banking Regulation Act, what is the immediate penalty applicable for this default?

(A) Penal interest at five per cent above the bank rate on the shortfall for that day.
(B) A mandatory prohibition on issuing any new loans for the next fortnight.
(C) Penal interest at three per cent above the bank rate on the shortfall for that day.
(D) Immediate prosecution of the bank's managerial staff.

Oct/Nov 2015

66. Consider the following statements regarding the rules governing nominations for safe custody and lockers:

I. Rules 3 and 4 of the Banking Companies (Nomination) Rules, 1985 deal with articles in safe custody and safe deposit lockers.
II. Similar rules apply to cooperative banks under the Co-operative Banks (Nomination) Rules, 1985.
III. Nomination access instructions for "either or survivor" mandates cannot be overridden by the hirer's death.

Which combination of the above statements is correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2008

67. From a conceptual standpoint, why was the Base Rate system introduced to replace the BPLR system in 2010?

(A) Because BPLR required mandatory linkage to international benchmark rates like LIBOR.
(B) Because the Base Rate system eliminated the requirement for banks to calculate their internal operating costs.
(C) Because banks frequently lent below the BPLR, which hindered transparency and the transmission of monetary policy.
(D) Because the BPLR system was restricted strictly to foreign currency loans and international trade financing.

Oct/Nov 2018

68. A State Cooperative Bank launches an Internet Banking facility strictly restricted to balance enquiry and downloading account statements (View only facility). What procedural requirement must the bank fulfill immediately following this launch?

(A) Seek retroactive permission from the SEBI cyber security cell within 15 days.
(B) Report commencement of the service to the RBI Regional Office and NABARD within a period of one month.
(C) Formally publish the technology vendor's independent audit report in a prominent national daily newspaper.
(D) Transfer ten per cent of its reserve fund to a newly created IT infrastructure contingency account.

May/June 2016

69. To incentivize bank credit to specific sectors, the RBI allowed banks to deduct the equivalent amount of incremental credit disbursed from their NDTL for CRR maintenance. Which of the following sectors were explicitly mentioned for this exemption based on disbursements up to January 31, 2020?

I. Retail loans to automobiles
II. Retail loans to residential housing
III. Loans to micro, small and medium enterprises (MSMEs)
IV. Large corporate syndicated infrastructure loans
V. Export credit facilities for multinational conglomerates

Which combination of the above statements is correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and V
(D) III, IV, and V

Oct/Nov 2024

70. According to the Internet Banking technology and security standards, the information security officer should undertake periodic penetration tests. Which of the following is NOT listed as a required component of these penetration tests?

(A) Attempting to guess passwords using password-cracking tools.
(B) Searching for back door traps in the programs.

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(C) Physically breaching the disaster recovery site's perimeter security walls.
(D) Attempting to overload the system using DDoS and DoS attacks.

May/June 2006

71. The following question consists of two statements, an Assertion (A) and a Reason (R). Read them and select the correct option.
Assertion (A): Every banking company must maintain assets in India at the close of business on the last Friday of every quarter that are not less than seventy-five per cent of its demand and time liabilities in India.
Reason (R): This provision under Section 25 of the BR Act is intended to ensure that the resources mobilized by banks operating in India, particularly foreign banks, are largely invested within the country.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2014

72. Consider the following statements regarding the conditions for issuing and investing in Commercial Paper (CP):
I. A CP must be held in dematerialized form through SEBI approved depositories.
II. The minimum denomination of a CP is Rs. 5 lakh.
III. Standard options (call/put) are strictly not permitted on Commercial Papers.
IV. The minimum credit rating required for a CP is 'A3'.
V. A buyback offer for a CP cannot be made before 30 days from the date of issue.
Which combination of the above statements is correct?
(A) I, II, III, and V
(B) II, III, IV, and V
(C) I, II, IV, and V
(D) I, II, III, IV, and V

May/June 2023

73. A scheduled bank operating in a geographically challenging terrain finds it impracticable to submit its fortnightly CRR return within the stipulated seven days after the alternate Friday. Under the Reserve Bank of India Act, what relief mechanism is legally available to the bank?
(A) The bank is automatically exempt from CRR requirements for those specific branches.
(B) The RBI may permit a provisional return fortnightly, followed by a final return within a period of twenty days.
(C) The bank can submit a single consolidated annual return at the end of the financial year to the central bank.
(D) The bank may substitute the return with a self-declaration certificate from the branch manager or nodal officer.

Oct/Nov 2007

74. Match the statutory compliance actions in List I with their prescribed time limits in List II.
List I: (Statutory compliance actions)
P. Filing return on unclaimed deposits under Sec 26
Q. Reporting appropriation from Reserve Fund under Sec 17(2)
R. Submitting the monthly SLR return
S. Submitting quarterly return of Assets in India under Sec 25
List II: (Prescribed time limits)
1. Within twenty-one days of the action
2. Within thirty days of the end of each calendar year
3. Within one month from the end of every quarter
4. Not later than twenty days from the end of the month
(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

May/June 2025

75. Consider the following statements regarding the legal position of a Banking Ombudsman vis-à-vis Reserve Bank Directions:
I. An ombudsman is appointed by virtue of the scheme framed under Section 35A of the BR Act, and is therefore obliged to comply with RBI directions and circulars.
II. An ombudsman can ignore RBI circulars if they believe doing so would provide a more equitable settlement for the bank's customer.

NODIA

Which of the statements is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2021

76. The provisions of the RBI Master Directions on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) explicitly apply to several categories of banks. Which of the following correctly lists these applicable entities?
(A) Only Scheduled Commercial Banks and Foreign Banks.
(B) Only Payments Banks and Regional Rural Banks.
(C) SCBs, SFBs, and Primary Dealers exclusively.
(D) SCBs, SFBs, Payments Banks, LABs, UCBs, StCBs, and DCCBs.

May/June 2009

77. Consider the following statements regarding the rules governing restrictions on power to remit debt under Section 20A of the BR Act:
I. A banking company requires prior permission of the Reserve Bank for remitting any debt to its directors.
II. Remission of loans to any firm in which a director is interested as a partner requires RBI permission.
III. Remission of loans to any individual for whom a director is a guarantor requires RBI permission.
IV. Any remission made in contravention of Section 20A is void and has no effect.
Which combination of the above statements is correct?
(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, III, and IV

Oct/Nov 2012

78. Identify the incorrect pair linking the regulatory topic to its specific section under the Banking Regulation Act, 1949.
(A) Return on Unclaimed Deposits — Section 26
(B) Quarterly position of assets in India — Section 42
(C) Power to Remit Debt — Section 20A
(D) Maintenance of Statutory Liquidity Ratio — Section 24

May/June 2013

79. Which of the following correctly describes the maintenance of Statutory Liquidity Ratio (SLR) assets?
(A) They must be maintained exclusively in physical gold vaults supervised by the RBI.
(B) They are maintained to the extent and in the form and manner as notified by the Reserve Bank.
(C) They represent a fixed 40% of total assets regardless of RBI notifications.
(D) They must be kept entirely as cash balances in the bank's own treasury.

Oct/Nov 2010

80. When existing floating rate loans linked to MCLR/Base Rate transition to the External Benchmark, what is the most appropriate condition governing borrowers eligible for prepayment without charges?
(A) They are eligible for the switchover without any charges except for reasonable administrative or legal costs.
(B) They must pay a mandatory and non-refundable switchover fee equal to one per cent of the outstanding principal.
(C) The loan tenor must be forcibly reduced by at least twelve months to compensate for lower interest rates.
(D) They must secure an additional solvent guarantor to offset the higher risks of external benchmark volatility.

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ANSWERS

1. (A) I and II
Banks must file annual returns on unclaimed deposits within thirty days after each calendar year. Inoperative accounts not used for ten years are transferred to the Depositor Education and Awareness Fund within three months of that period. However, depositors or heirs do not lose their rights; they can still claim their funds back from the bank at any time.

2. (B) I, III, and IV
The Marginal Cost of Fund Based Lending Rate was introduced on 1 April 2016 to improve monetary policy transmission. It incorporates the repo rate and factors in the negative carry on account of mandatory Cash Reserve Ratio requirements. Unlike the previous system, it relies on marginal costs rather than average costs to ensure more responsive lending rates for borrowers.

3. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Sections 21 and 35A of the Banking Regulation Act empower the Reserve Bank to issue directions in the public interest or to regulate banking policy. These instructions are statutory and binding on all banking companies. Even without explicit labeling as statutory, they carry legal force because they are issued under specific legislative powers to govern the domestic banking sector.

4. (C) The transaction cannot be reopened by the court on the ground that the rate of interest charged is excessive.
Section 21A of the Banking Regulation Act provides that a transaction between a banking company and its debtor cannot be reopened by any court on the ground that the rate of interest charged is excessive. This provision effectively overrides the Usurious Loans Act of 1918, ensuring that bank lending rates remain within the regulatory domain of the central bank.

5. (A) I, II, and III
When releasing locker contents, banks must verify the identity of the survivor or nominee and the fact of the hirer's death. They must ensure no court orders restrain the release. Crucially, the bank clarifies that the nominee receives the contents only as a trustee, and this action does not extinguish any rights held by the legal heirs.

6. (C) Rejected, because Networth is below the required minimum of Rs. 100 crore.
Under the Reserve Bank of India guidelines dated November 05, 2015, State Co-operative Banks seeking to offer internet banking with transactional facilities must meet several financial criteria. A key requirement is maintaining a minimum Networth of Rs. 100 crore. If a bank reports a Networth below this threshold, its application for offering transactional services will likely be rejected.

7. (B) Sections 35AA and 35AB
The Banking Regulation (Amendment) Act of 2017 introduced Sections 35AA and 35AB to empower the central bank in managing stressed assets. These provisions allow the regulator to direct banking companies to initiate insolvency proceedings for specific defaults. They provide a direct legal framework for the central bank to intervene and supervise the resolution of significant non-performing assets in India.

8. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 20A of the Banking Regulation Act prohibits banking companies from remitting any debt owed to them by their directors or related entities without prior approval from the Reserve Bank. This regulation is designed to prevent conflicts of interest and unauthorized debt forgiveness. Any remission made without such prior permission is considered legally void and has no effect whatsoever.

NODIA

9. (C) April 01, 2020
The Reserve Bank of India expanded the scope of external benchmark-linked lending to ensure better interest rate transmission. While retail and small enterprise loans were transitioned earlier, all new floating rate loans extended to Medium Enterprises by banks were mandated to be linked to an external benchmark effective from April 01, 2020. This move aimed at standardizing lending across sectors.

10. (C) 3.0 per cent
Deposits transferred to the Depositor Education and Awareness Fund continue to accrue interest until the claim is paid to the depositor. Effective from May 11, 2021, the Reserve Bank specified that the rate of interest payable on the principal amount of these interest-bearing deposits is 3.0 per cent per annum. This ensures that claimants receive a fair return.

11. (D) The institution must be a member of the cheque clearing system in the country.
Institutions participating in inter-bank payment gateways for internet-based payments are subject to specific eligibility criteria. One primary requirement is that the participating institution must be a member of the national cheque clearing system. This ensures that the entity is already integrated into the country's formal payment and settlement infrastructure, maintaining financial stability and operational security within digital banking.

12. (C) The power to caution or prohibit banking companies from entering specific transactions.
Section 36(1)(a) of the Banking Regulation Act grants the Reserve Bank specific powers to advise and guide banking companies. This includes the authority to caution or prohibit banking companies from entering into particular transactions or classes of transactions. Such powers are used to prevent risky banking practices and ensure that banks operate in a manner consistent with overall financial stability.

13. (A) 2, 4, 3, 1
The evolution of lending rate frameworks in India began with the Benchmark Prime Lending Rate system. To increase transparency, the Base Rate system was introduced in 2010, followed by the Marginal Cost of Fund based Lending Rate in 2016. Finally, the External Benchmark Based Lending regime was implemented in 2019 to ensure that interest rates reflect market conditions more accurately.

14. (C) The Reserve Bank can issue directions determining the maximum amount of advances that may be made to any company or firm.
Section 21 of the Banking Regulation Act gives the Reserve Bank the power to control advances made by banking companies. The regulator can issue directions determining the purposes for which advances may be made, the margins to be maintained, and the maximum amount of advances that may be granted to any single company, firm, or individual to manage credit risks.

15. (D) Logical access controls — Physical security guards deployed at disaster recovery sites.
Security in internet banking involves various technical measures. While Distributed Denial of Service attacks and Public Key Infrastructure are accurately defined in terms of system overloads and secure infrastructure, logical access controls refer to digital permissions like passwords or biometrics. They are distinct from physical security measures, such as guards, which protect the actual hardware at disaster recovery sites.

16. (A) They cannot affect the legal rights of individuals.
According to the Supreme Court, non-statutory circulars issued by the Reserve Bank of India are considered administrative in nature. Unlike statutory directions issued under the Banking Regulation Act, these circulars do not have the force of a statute. Consequently, they are not binding on the general public and cannot adversely affect the established legal rights of private individuals.

17. (A) When the borrower's credit assessment undergoes a substantial change as agreed in the loan contract.
Under the External Benchmark Based Lending framework, the spread over the benchmark consists of several components. While the business margin remains relatively stable, the credit risk premium can only be altered when the borrower's credit assessment undergoes a substantial change. This change must be based

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on the specific conditions and triggers already agreed upon in the loan contract.

18. (A) Inter-bank deposit balances and Vostro accounts.
The Depositor Education and Awareness Fund receives credit balances from various inoperative accounts. However, certain categories are explicitly excluded from this transfer process. Inter-bank deposit balances and Vostro accounts held by banks are exceptions and are not eligible for transfer to the fund. These accounts represent institutional arrangements rather than standard retail deposits intended for the awareness scheme.

19. (C) P-2, Q-4, R-3, S-1
The Benchmark Prime Lending Rate system was often criticized because banks could lend below the benchmark. To address this, the Base Rate system was introduced in July 2010 for better transparency. The subsequent MCLR system factors in tenor premiums and marginal costs. Currently, the External Benchmark system mandates that lending rates be directly linked to transparent market rates.

20. (A) A company registered under Section 25 of the Companies Act, 1956 (or Section 8 of the Companies Act, 2013) in which a director is interested.
Section 20 of the Banking Regulation Act restricts loans to directors and firms where they have an interest. However, an exception is made for companies registered under Section 25 of the Companies Act, 1956. These non-profit entities are not subject to the same prohibitions, allowing banks to provide credit even if a director has an interest in them.

21. (B) II and III
Legal issues in internet banking require robust security and risk management. Security procedures used to authenticate users must be legally recognized as substitutes for physical signatures. Additionally, banks are responsible for instituting adequate risk control measures to manage potential liabilities that arise from unauthorized fund transfers caused by hacking or other digital security breaches during online transactions.

22. (C) Section 35A(c) of the BR Act provides wide enough powers for the RBI to issue directions regarding the acceptance of deposits in the interest of banking policy.
The Reserve Bank holds comprehensive authority to regulate how banks accept deposits. Under Section 35A of the Banking Regulation Act, the regulator can issue binding directions to ensure that deposit-taking activities align with broader banking policy. This ensures that the public interest is protected and that banks maintain sound financial practices when mobilizing resources from various depositors.

23. (D) The bank receives a valid discharge by following the prescribed procedure to grant access to the appointee.
If a locker hirer dies after appointing a minor's representative, the bank follows the established legal procedure to grant access to that appointed adult. By adhering to these specific regulatory requirements under the Banking Regulation Act, the bank receives a valid discharge of its obligations. This protection applies even if legal heirs subsequently challenge the bank's action.

24. (D) I, II, and III
Under the External Benchmark regime, banks can link floating rate retail loans to several recognized market benchmarks. These include the Reserve Bank's policy repo rate and various Treasury Bill yields published by the Financial Benchmarks India Private Limited. Specifically, both the 3-month and 6-month Government of India Treasury Bill yields are valid benchmarks for pricing these loan products.

25. (B) The concession must be extended to loanees of financial institutions to avoid discrimination against bank loanees.
In the case of Harjit Singh vs Union of India, the Supreme Court addressed the issue of interest rate concessions. The court ruled that if the Reserve Bank directs interest reductions for specific groups, such as riot victims, these benefits must be extended to borrowers of financial institutions as well. This prevents discriminatory treatment between bank borrowers and those of other lenders.

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26. (D) The action must be exercised with bona fide intentions and without mala fide.
The Reserve Bank possesses the power to supersede the board of a co-operative bank to ensure proper management. Legal precedents established by the courts emphasize that such administrative actions will be upheld as long as they are exercised with bona fide intentions. The regulator must act in good faith and without any malicious intent to protect the interests of depositors.

27. (A) I, II, and IV
Reserve Bank standards for internet banking emphasize robust security measures. Banks are required to implement logical access controls and are encouraged to use Public Key Infrastructure for secure transactions. Furthermore, regular testing of backup data is mandatory to ensure that systems can be recovered without losing critical transaction information, thereby maintaining the integrity and availability of digital banking services.

28. (A) Nomination for Safe Deposit Lockers — Section 45ZE
The Banking Regulation Act contains specific sections governing different nomination activities. Section 45ZE specifically deals with the nomination process for safe deposit lockers, allowing hirers to designate individuals to access contents after death. Other sections, such as 45ZA and 45ZC, apply to the repayment of deposits and the return of articles held in safe custody, respectively.

29. (C) Both I and II are correct
The transition from the Base Rate to the MCLR system involved significant changes in calculation methodology. While the Base Rate relied on the average cost of funds, the MCLR uses the current marginal cost of funds. Additionally, the MCLR explicitly factors in the repo rate, a component that was not formally included in the previous Base Rate calculation framework.

30. (D) To prevent speculative hoarding of essential commodities and basic raw materials using bank credit.
Selective Credit Control measures are specialized tools used by the Reserve Bank to regulate the flow of credit to specific commodities. The primary objective is to prevent the use of bank finance for the speculative hoarding of essential goods and raw materials. By controlling credit in these areas, the regulator helps stabilize prices and ensures the availability of essential items.

31. (D) I, II, and III
Commercial Paper issuance is governed by strict regulatory conditions. The minimum denomination is set at Rs. 5 lakh, and the instruments must not contain standard call or put options. Furthermore, large issuers whose total annual issuance reaches or exceeds Rs. 1000 crore are required to obtain credit ratings from at least two different registered credit rating agencies.

32. (B) It must deposit with the RBI twenty per cent of the annual profit earned from its Indian business operations.
Foreign banks operating in India have specific statutory requirements regarding their profits. Under the Banking Regulation Act, these banks must deposit twenty per cent of the annual profit earned from their Indian operations with the Reserve Bank. This requirement ensures that a portion of the earnings generated within the country is retained as a security measure for local depositors.

33. (A) P-2, Q-3, R-1, S-4
Different market participants have specific prudential limits for borrowing in the call and notice money markets. Scheduled Commercial Banks can borrow up to 100% of their capital funds on average. Primary Dealers have a higher limit of 225% of their Net Owned Funds. Meanwhile, Payment Banks follow the same limits as Scheduled Commercial Banks to ensure systemic stability.

34. (D) Penal interest at the rate of three per cent above the bank rate on the shortfall.
Banks must maintain a minimum daily average balance for the Cash Reserve Ratio. If a bank fails to meet this requirement during a reporting fortnight, the Reserve Bank imposes a penalty. For the first instance of default, the bank is charged penal interest at a rate of three per cent above the prevailing bank rate on the amount of the shortfall.

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35. (C) General Manager or equivalent
Under the Integrated Ombudsman Scheme, every Regulated Entity is required to appoint a Principal Nodal Officer. This officer serves as the primary point of contact for the Ombudsman and oversees the grievance redressal process. To ensure the position has sufficient authority and responsibility, the appointed individual must hold a rank not below that of a General Manager.

36. (B) II and III
Non-scheduled banks are required under Section 18 of the Banking Regulation Act to maintain a cash reserve. This reserve must be at least three per cent of their demand and time liabilities. While it can be held with the Reserve Bank, it can also be held in the bank's own vaults. A monthly return must be submitted regularly.

37. (A) As a money market instrument
Under Section 45W of the Reserve Bank of India Act, Commercial Paper is formally defined as a money market instrument. It is an unsecured, short-term debt instrument issued by corporates, primary dealers, and financial institutions to meet their immediate funding needs. This classification places it under the regulatory oversight of the central bank within the broader financial system.

38. (D) The ombudsman scheme possesses statutory authority to override the provisions of the DRT Act regarding debt recovery.
The Banking Ombudsman and Debt Recovery Tribunals serve distinct functions within the financial legal framework. The Ombudsman focuses on resolving customer service complaints, while the DRT adjudicates the recovery of debts due to banks. It is a misconception that the Ombudsman can override the DRT Act; in fact, the Ombudsman loses jurisdiction once a matter is taken to court.

39. (D) The average of the balances held at the close of business of each day for a fortnight.
For the purpose of maintaining the Cash Reserve Ratio, the term 'average daily balance' refers to a specific calculation. It is defined as the average of the balances held by a bank at the close of business on each day during a reporting fortnight. This calculation ensures that banks maintain the required reserves consistently over the designated two-week period.

40. (D) It makes the ombudsman mechanism jurisdiction neutral, eliminating the need to file complaints at specific regional offices.
The "One Nation One Ombudsman" approach introduced in 2021 significantly simplifies the grievance redressal process. By making the mechanism jurisdiction neutral, it removes the previous requirement for customers to file complaints at specific regional offices based on the bank's location. Customers can now submit their complaints through a centralized portal, making the system more accessible and efficient for everyone.

41. (C) I, II, and IV
Section 24 of the Banking Regulation Act mandates that every banking company maintain a Statutory Liquidity Ratio. These liquid assets must not exceed forty per cent of the bank's demand and time liabilities. Both scheduled and non-scheduled banks are required to comply with these rules. For monitoring purposes, banks must submit a monthly return within twenty days of the month-end.

42. (A) Yes, because its net worth exceeds the minimum of Rs. 4 crore and its fund-based facility is classified as a standard asset.
To be eligible to issue Commercial Paper, a corporate body must meet specific financial criteria. These include having a minimum net worth of at least Rs. 4 crore based on the latest audited balance sheet. Additionally, any fund-based facilities the corporate holds with banks or financial institutions must be classified as standard assets by the respective lending institutions.

43. (B) Not less than 25%
While Section 17(1) of the Banking Regulation Act specifies a statutory minimum of twenty per cent, the Reserve Bank has issued more stringent guidelines. Through a circular issued in September 2000, the regulator mandated that all banking companies incorporated in India must transfer at least twenty-five per cent of their annual net profit to the reserve fund before declaring any dividends.

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44. (D) The ombudsman is divested of jurisdiction and must decline to pass any order or award on the matter.
In the case of M/s Durga Hotel Complex vs. Reserve Bank of India, it was clarified that the Banking Ombudsman loses jurisdiction if the identical subject matter is taken to a competent court or tribunal. Therefore, if a customer files a case with the Debts Recovery Tribunal while a complaint is pending, the Ombudsman must immediately stop proceedings and decline to issue any award.

45. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Following an amendment to the Reserve Bank of India Act in 2006, the central bank no longer pays interest on the Cash Reserve Ratio balances maintained by scheduled banks. The omission of Section 42(1B) removed the legislative authority for such payments. Consequently, the entire amount maintained as CRR with the regulator does not earn any interest for the participating banks.

46. (B) Payment Banks
The Reserve Bank's Master Direction specifies the entities permitted to participate in the call, notice, and term money markets. Payment Banks are explicitly allowed to operate in these markets as both borrowers and lenders. This participation helps them manage their liquidity requirements effectively while contributing to the overall functioning and liquidity of the inter-bank money market in India.

47. (A) P-2, Q-1, R-4, S-3
Banks must use specific statutory forms to report their reserve compliance. Scheduled Commercial Banks use Form A for CRR and Form VIII for SLR. Scheduled Co-operative Banks report through Form B. Non-scheduled Co-operative Banks are required to use Form I to report their cash reserve positions under Section 18 of the Banking Regulation Act to the regulator.

48. (B) 30 days
Before escalating a grievance to the Integrated Ombudsman, a customer must first approach the concerned regulated entity. The entity is given a period of thirty days to provide a reply or resolve the complaint. If the customer does not receive a response within this timeframe, or is dissatisfied with the response provided, they can then approach the Ombudsman for assistance.

49. (A) Only I is correct
Under Section 17(2) of the Banking Regulation Act, any appropriation made from the reserve fund or the share premium account must be reported. The banking company is required to notify the Reserve Bank within twenty-one days of such an action. This report must explain the specific circumstances that led to the appropriation, ensuring transparency in the bank's capital management.

50. (C) The award is not sustainable because the ombudsman must comply with all RBI directions and circulars under the Act.
In the case of Canara Bank vs P.R.N. Upadhyaya, the Supreme Court ruled that a Banking Ombudsman is bound by the directions and circulars issued by the Reserve Bank. Since the Ombudsman is appointed under a scheme framed by the central bank, any award that ignores or contradicts official regulatory guidelines is considered legally unsustainable and cannot be enforced against the bank.

51. (C) Up to the fortnight ending December 31, 2021
To encourage lending to the MSME sector, the Reserve Bank introduced a temporary incentive for Scheduled Commercial Banks. Banks were allowed to deduct the amount of credit disbursed to new MSME borrowers from their NDTL for the purpose of CRR computation. This specific exemption applied to disbursements made by banks up to the reporting fortnight ending on December 31, 2021.

52. (D) Related parties of the issuer in the primary market
Investment in Commercial Paper is open to various entities, including resident individuals and permitted non-residents. However, there are specific restrictions to ensure market integrity. An issuer is strictly prohibited from selling its Commercial Paper to its own related parties in the primary market. This rule prevents potential conflicts of interest and ensures that the pricing of the instrument remains market-driven.

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53. (C) Ombudsman Scheme for Digital Transactions — 2019
The 2021 Integrated Ombudsman Scheme replaced several earlier specialized grievance redressal frameworks. These included the Banking Ombudsman Scheme of 2006, the Ombudsman Scheme for Non-Banking Financial Companies of 2018, and the Ombudsman Scheme for Digital Transactions, which was implemented in 2019. The integration aimed to provide a single, simplified point of contact for all financial service complaints.

54. (C) Demand deposits accepted from retail customers.
For calculating the Cash Reserve Ratio, certain liabilities are excluded from the NDTL total. These include funds borrowed from the Reserve Bank and other apex institutions like Exim Bank, as well as the bank's own paid-up capital and reserves. However, standard demand deposits accepted from retail customers are core liabilities and are never excluded from the calculation of reserve requirements.

55. (A) A situation where the financial sector provides critical services to the real economy without any discontinuity.
In its inaugural Financial Stability Report of 2010, the Reserve Bank defined financial stability from a macro-prudential viewpoint. It describes a condition where the financial system remains resilient and continues to provide essential services to the real economy without interruption. This includes the effective functioning of payment systems, credit delivery, and the overall stability of financial institutions during economic shocks.

56. (C) Both I and II are correct
Certificate of Deposits can be issued by various banking institutions, including Scheduled Commercial Banks and Small Finance Banks. To maintain the nature of these instruments as market-traded debt, banks are generally prohibited from granting loans against the security of their own CDs. Any exception to this rule requires specific permission from the Reserve Bank to ensure market discipline.

57. (A) 2, 3, 1
Failure to maintain the required Cash Reserve Ratio leads to progressive regulatory consequences. Initially, penal interest is charged at three per cent above the bank rate. If the default continues into subsequent fortnights, the penalty increases to five per cent above the bank rate. Eventually, persistent defaults can lead to fines being imposed on the bank's senior management and directors.

58. (B) I, II, and IV
The Integrated Ombudsman Scheme 2021 simplifies the complaint process by removing the need to identify a specific scheme. It broadens the grounds for complaints to any 'deficiency in service'. Furthermore, a regulated entity is denied the right to appeal an award if the decision was based on the entity's own failure to provide necessary information during the investigation.

59. (D) I, II, III, IV, and V
To be included in the Second Schedule of the RBI Act, a bank must meet several criteria. It must have paid-up capital and reserves of at least Rs. 5 lakh and conduct its affairs in a manner not detrimental to depositors. This status can be granted to state co-operative banks, foreign companies, and other institutions formally notified by the Central Government.

60. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
An award issued by the Banking Ombudsman does not have immediate legal force. For the award to become binding on the bank, the complainant must formally accept it. This acceptance must be submitted in writing within thirty days of receiving the award, stating that the customer accepts the decision as a full and final settlement of their grievance against the bank.

61. (P) P-3, Q-2, R-4, S-1
Legal precedents shape banking regulation in India. For instance, the BOI Finance case established that violating RBI directions does not necessarily invalidate contracts with third parties. Harjit Singh's case ensured non-discrimination in interest concessions. Meanwhile, the Durga Hotel Complex case clarified that the Ombudsman

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loses its jurisdiction when the same matter is brought before a court or a formal tribunal.

62. (A) No, because it must transfer at least twenty per cent of profits to the reserve fund before declaring any dividend.
Section 17(1) of the Banking Regulation Act mandates that every banking company incorporated in India create a reserve fund. Before declaring any dividend, the bank is legally required to transfer a minimum of twenty per cent of its annual profits to this fund. Failing to meet this statutory transfer requirement prevents the bank from distributing any profits to its shareholders as dividends.

63. (A) Approved bills and securities held outside India are excluded and never treated as assets in India.
Approved bills and securities held outside India are specifically included and treated as assets in India.

64. (A) The Fund is liable to refund the amount in the original foreign currency to protect against any exchange risk.
Unclaimed foreign currency deposits are converted into Indian Rupees at the time of their transfer to the Depositor Education and Awareness Fund. The conversion uses the exchange rate prevailing on the date of the actual transfer. Consequently, the fund is only liable to refund the amount in Indian Rupees. The depositor, rather than the fund, bears any risk related to subsequent exchange rate fluctuations.

65. (C) Penal interest at three per cent above the bank rate on the shortfall for that day.
If a bank fails to maintain the required Statutory Liquidity Ratio on any given day, the Reserve Bank imposes a financial penalty. For the first day of default, the bank is charged penal interest at a rate of three per cent above the bank rate on the amount of the shortfall. This penalty serves as a deterrent to ensure consistent compliance with liquidity norms.

66. (D) I, II, and III
Nomination rules for safe custody and lockers are standardized across the banking sector. Both commercial and co-operative banks follow similar regulations established in 1985. These rules ensure that "either or survivor" mandates remain valid and cannot be easily overridden. These procedures provide clarity on who can access bank-held assets after the death of a customer, protecting both the bank and the claimants.

67. (C) Because banks frequently lent below the BPLR, which hindered transparency and the transmission of monetary policy.
The Benchmark Prime Lending Rate system was replaced because it lacked sufficient transparency. Banks often lent to highly rated corporates at rates significantly below the BPLR, which made it difficult for the central bank to assess how effectively its monetary policy changes were reaching the wider economy. The Base Rate system was introduced to create a more consistent and transparent floor for lending.

68. (B) Report commencement of the service to the RBI Regional Office and NABARD within a period of one month.
When a State Cooperative Bank starts offering basic "view only" internet banking services, it does not require prior approval. However, the bank is obligated to report the launch of these services to the Reserve Bank's Regional Office and NABARD. This notification must be completed within one month of the service commencement to ensure that regulators are aware of the digital expansion.

69. (A) I, II, and III
In early 2020, the Reserve Bank provided a CRR exemption to encourage banks to increase credit flow to vital sectors. Banks were allowed to deduct incremental credit disbursed for retail automobile loans, residential housing loans, and loans to micro, small, and medium enterprises from their NDTL. This policy aimed to stimulate economic activity by lowering the cost of funds for these specific sectors.

70. (C) Physically breaching the disaster recovery site's perimeter security walls.
Penetration testing in internet banking focuses on digital security and system vulnerabilities. It includes activities like attempting to crack passwords, searching for back door traps, and testing the system's resilience against denial-of-service attacks. Physical security breaches, such

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as attempting to scale the walls of a disaster recovery site, are not part of the standard technological penetration testing mandated for information security officers.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 25 of the Banking Regulation Act ensures that banks maintain a significant portion of their resources within India. By requiring that seventy-five per cent of demand and time liabilities be held as assets in India, the law prevents banks, especially foreign ones, from excessively diverting locally mobilized funds to international markets. This requirement supports domestic investment and protects the interests of local depositors.

72. (D) I, II, III, IV, and V
The issuance of Commercial Paper is strictly regulated to ensure market stability and safety. Issuers must maintain a minimum credit rating of 'A3' and hold the instruments in dematerialized form. Restrictions include a minimum denomination of Rs. 5 lakh and a prohibition on buybacks within thirty days of issuance. These rules collectively ensure that the CP market remains transparent and well-governed.

73. (B) The RBI may permit a provisional return fortnightly, followed by a final return within a period of twenty days.
For banks operating in difficult terrains where timely reporting is challenging, the Reserve Bank of India Act provides a flexible reporting mechanism. The regulator may allow the bank to submit a provisional return on a fortnightly basis. This must be followed by a final, accurate return submitted within twenty days, ensuring that the bank eventually provides complete and verified data.

74. (A) P-2, Q-1, R-4, S-3
Statutory compliance in banking involves adhering to various reporting timelines. Unclaimed deposit returns must be filed within thirty days of the calendar year end. Appropriations from the reserve fund require reporting within twenty-one days. Monthly SLR returns are due within twenty days of the month-end, while quarterly returns on assets in India must be submitted within one month of the quarter's conclusion.

75. (A) Only I is correct
A Banking Ombudsman is not an independent arbitrator with the power to ignore central bank policy. Because the Ombudsman is appointed under a scheme established by the Reserve Bank under Section 35A of the Banking Regulation Act, they are legally required to follow all directions and circulars issued by the regulator when making decisions or issuing awards to resolve customer complaints.

76. (D) SCBs, SFBs, Payments Banks, LABs, UCBs, StCBs, and DCCBs.
The Reserve Bank's Master Directions on reserve requirements have a broad application across the Indian banking landscape. These rules regarding the Cash Reserve Ratio and Statutory Liquidity Ratio apply to Scheduled Commercial Banks, Small Finance Banks, Payment Banks, Local Area Banks, and various tiers of Co-operative Banks. This comprehensive coverage ensures uniform liquidity standards and financial stability across different types of banking institutions.

77. (D) I, II, III, IV, and V
Section 20A of the Banking Regulation Act places strict controls on debt remission to prevent favoritism. Banking companies must obtain prior Reserve Bank permission before remitting any debt owed by directors, their firms, or individuals for whom a director has acted as a guarantor. Any such remission made without the regulator's explicit approval is considered legally void and has no effect.

78. (B) Quarterly position of assets in India — Section 42
The Banking Regulation Act uses specific sections to manage different regulatory requirements. Section 26 governs the return on unclaimed deposits, while Section 20A regulates the power to remit debt. Maintenance of the Statutory Liquidity Ratio is mandated by Section 24. However, the quarterly position of assets in India is governed by Section 25, whereas Section 42 of the RBI Act covers CRR.

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79. (B) They are maintained to the extent and in the form and manner as notified by the Reserve Bank.

Statutory Liquidity Ratio assets are not fixed but are managed dynamically by the regulator. The Reserve Bank notifies the required percentage and the specific forms these assets must take, such as cash, gold, or unencumbered government securities. This flexibility allows the central bank to adjust liquidity requirements in the banking system based on prevailing economic conditions and broader monetary policy objectives.

80. (A) They are eligible for the switchover without any charges except for reasonable administrative or legal costs.

When existing floating rate loans linked to previous benchmarks like MCLR or Base Rate transition to the External Benchmark framework, banks must facilitate the move. Borrowers are eligible for this switchover without paying additional charges, except for reasonable administrative or legal costs. This policy ensures that customers can benefit from improved monetary policy transmission without facing prohibitive fees or penalties.

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CHAPTER 04

Returns, Inspection, Winding Up, Mergers & Acquisitions

NOIDA

Oct/Nov 2023

1. Foreign banks operating in India are required to display a copy of their last audited balance sheet and profit and loss account in a conspicuous place in their principal office. Which of the following conditions does NOT apply to this requirement?

(A) The display must be done not later than the first Monday in August of any year in which it carries on business.

(B) The accounts and balance sheet must be kept displayed until replaced by a subsequent copy.

(C) The requirement applies to banking companies incorporated outside India.

(D) The displayed copy must be submitted to the Registrar of Companies prior to physical display.

May/June 2011

2. Regarding the maintenance of Cash Reserve Ratio (CRR) by non-scheduled banks and the penalties for default, which of the following statements is NOT correct?

(A) RBI uses CRR as a tool to control inflation or deflation of the economy.

(B) The return has to be submitted before the twentieth day of every month showing amounts held on alternate Fridays.

(C) If the default continues on subsequent days, the penalty shall be increased to the rate of 7% above the bank rate.

(D) The defaulting bank shall be liable to pay a penalty at the rate of 3% above the bank rate on the shortfall amount.

Oct/Nov 2012

3. Which of the following statements regarding the signing of the balance sheet and profit and loss account of a banking company incorporated in India is incorrect?

(A) It must be signed by the manager or principal officer of the company.

(B) It must be signed by at least three directors if there are more than three directors.

(C) It must be signed by the statutory auditor before the directors append their signatures.

(D) It must be signed by all directors if there are not more than three directors.

May/June 2015

4. Consider the following statements regarding maintenance of records under the PMLA Rules 2005:

I. All cash transactions of the value of more than Rs. 10 Lakh.

II. All transactions involving receipts by non-profit organizations of value more than Rs. 10 lakh.

III. All cash transactions where forged or counterfeit currency notes have been used as genuine.

IV. All suspicious transactions, whether or not in cash.

Which of the above statement(s) is/are correct?

(A) I, II, and III

(B) I, III, and IV

(C) II, III, and IV

(D) I, II, III, and IV

Oct/Nov 2013

5. Consider the following matters that an auditor of a bank incorporated in India must include in their audit report:

I. Whether or not information and explanation required by him were found to be satisfactory.

II. Whether or not returns from branches were adequate for the audit.

III. Whether or not profit and loss account shows a true picture of the profit and loss for the period covered.

IV. Any other matter which the auditor considers necessary to bring to the notice of

the shareholders.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

May/June 2008

6. Consider the following statements regarding the preservation of records under Section 45Y of the Banking Regulation Act:

I. The Central Government may, after consultation with the Reserve Bank, make rules specifying the periods for which a banking company shall preserve its books, accounts, and other documents.
II. The IBA clarified that the extant practice of preserving various records for a period of 5 to 8 years may be continued.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2017

7. As per Section 29 of the Banking Regulation Act, banking companies must prepare their balance sheet and profit and loss account at the end of each calendar year or on expiry of a twelve-month period ending with a specific date. Who notifies this specific date?

(A) The Reserve Bank of India
(B) The Central Government
(C) The Securities and Exchange Board of India
(D) The Registrar of Companies

May/June 2006

8. Identify the incorrect pair regarding the forms prescribed under the Banking Regulation (Companies) Rules, 1949:

(A) Return on Liquid Assets – Rule 13A
(B) Return of Assets in India – Rule 14B
(C) Monthly Returns showing assets and liabilities – Rule 14A
(D) Return on Unclaimed Deposits – Rule 14B

Oct/Nov 2008

9. Under Section 26A of the Banking Regulation Act, the Depositor Education and Awareness Fund was established. What is the primary intention behind creating this specific fund?

(A) To provide a robust financial buffer for banks facing a sudden liquidity crisis
(B) To utilize unspent bank deposits for customer welfare and depositor interests
(C) To finance the Central Government's financial inclusion initiatives in rural areas
(D) To compensate shareholders of banking companies undergoing compulsory amalgamation

May/June 2024

10. Under Section 30(1B) of the Banking Regulation Act, the Reserve Bank is empowered to order a specific type of audit of the accounts of any banking company if it is in the public interest or the interest of depositors. What is this audit termed?

(A) Statutory Audit
(B) Concurrent Audit
(C) Special Audit
(D) Forensic Audit

Oct/Nov 2021

11. Which of the following items of information is NOT explicitly listed as required to be preserved under the maintenance of records of transactions aimed at permitting reconstruction of individual transactions?

(A) The nature of the transactions
(B) The amount of the transaction and the currency in which it was denominated
(C) The date on which the transaction was conducted
(D) The specific branch manager authorizing the transaction

May/June 2013

12. Consider the following statements regarding the applicability of accounting formats:

I. Section 129(1) of the Companies Act 2013 stipulates that the financial statements shall be in the forms provided in Schedule III, which applies uniformly to all classes of companies including banking companies.
II. The provisions of the Banking Regulation Act have an overriding effect on the provisions of the Companies Act concerning the format of financial statements for banking companies.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II

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(C) Both I and II
(D) Neither I nor II

Oct/Nov 2015

13. Read the following scenario regarding a dormant account and answer the question that follows.
A customer of a commercial bank has not operated their savings account for the past twelve years. The bank has classified the account under unclaimed deposits and transferred the funds to the Depositor Education and Awareness Fund (Fund). The customer subsequently approaches the bank seeking a refund of the deposit.
What is the bank's liability in this situation?
(A) The bank is liable to make the payment with necessary interest and claim a refund from the RBI.
(B) The bank is not liable to refund the amount, as the funds have been irrevocably transferred to the RBI.
(C) The bank must direct the customer to apply directly to the RBI for the refund.
(D) The bank can only refund the principal amount without any interest, as the account was dormant.

May/June 2020

14. When the Reserve Bank of India issues an order directing a special audit of a banking company's accounts under Section 30(1B) of the Banking Regulation Act, who is responsible for bearing the expenses of this special audit?
(A) The Reserve Bank of India
(B) The Central Government
(C) The banking company itself
(D) The Depositor Education and Awareness Fund

Oct/Nov 2005

15. Which of the following statements accurately describes the provision regarding the return of paid instruments under Section 45Z of the Banking Regulation Act?
(A) A bank is strictly prohibited from returning any instrument until the 8-year period
(B) If a customer demands a return, the bank must bear the cost of making a true copy
(C) The term "customer" under this section explicitly excludes Government departments
(D) A bank may return paid instruments if it retains a verified true copy

May/June 2017

16. In the context of preparing annual accounts and balance sheets, how are the geographical boundaries of business operations treated for foreign banks operating in India?
(A) Their accounts must cover the business transacted through all their branches in India.
(B) Their accounts must cover their entire global business operations.
(C) Their accounts must reflect business from their principal office in India only.
(D) Their accounts must consolidate Indian operations with their parent company's home country accounts.

Oct/Nov 2024

17. According to the PML Amendment Act 2012, for how long are banks required to maintain necessary records, both domestic and foreign, from the date of the transaction between the bank and the client?
(A) At least five years
(B) At least three years
(C) At least eight years
(D) At least ten years

May/June 2010

18. Identify the correct pair mapping the statutory provision to its corresponding requirement:
(A) Section 32 of the BR Act – Furnishing three copies of accounts and balance sheet to the Registrar
(B) Section 29 of the BR Act – Publication of accounts and balance sheet
(C) Section 31 of the BR Act – Preparation of balance sheet and profit and loss account
(D) Section 27(2) of the BR Act – Extending the period for submission of returns

Oct/Nov 2011

19. Consider the following statements concerning the Return of Assets in India:
I. It must be submitted under Section 25(1) of the Banking Regulation Act.
II. It is a quarterly return regarding the bank's assets in India.
III. It has to be submitted within three months of the end of the quarter.
Which of the above statement(s) is/are correct?
(A) I and II
(B) II and III

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(C) I and III
(D) I, II, and III

May/June 2009

20. Every banking company is required to submit a return of its liquid assets under Section 24(3) of the Banking Regulation Act. What is the time limit for submitting this return?
(A) Within twenty days from the end of the month to which it relates
(B) Within ten days from the end of the month to which it relates
(C) Within fifteen days from the end of the month to which it relates
(D) Within thirty days from the end of the month to which it relates

Oct/Nov 2019

21. Read the following scenario regarding a non-profit organization's bank transaction and answer the question.
A registered non-profit organization receives a single cash donation of Rs. 12 lakh from an anonymous donor and deposits it into its bank account.
Under the Prevention of Money Laundering Rules, what is the bank's obligation regarding this specific transaction?
(A) The bank is not required to record it as it is a donation to a non-profit organization
(B) The bank must freeze the account immediately pending an official RBI investigation
(C) The bank must record this transaction as it exceeds the Rs. 10 lakh threshold
(D) The bank must return the amount as cash transactions above Rs. 10 lakh are prohibited

May/June 2025

22. Consider the following statements regarding the submission of accounts to the Reserve Bank of India:
I. Every banking company must submit three copies of its balance sheet and profit and loss account to the Reserve Bank.
II. The submission must be made within three months from the end of the period to which they relate.
III. The Reserve Bank is empowered to extend this period by a further period not exceeding six months.
Which of the above statement(s) is/are correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2007

23. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): A banking company must obtain approval from the Reserve Bank of India before it appoints, re-appoints, or removes any auditor.
Reason (R): A sound and robust audit function is a sine qua non for an efficient organization capable of meeting all legal, regulatory, and compliance requirements.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2014

24. Under the Prevention of Money Laundering Act (PMLA) rules, a series of cash transactions individually valued below Rs. 10 lakh must be recorded if their monthly aggregate exceeds Rs. 10 lakh. What specific criterion is used to determine if these transactions are "integrally connected"?
(A) All transactions occurring within the same geographical branch location.
(B) All transactions initiated by the same bank teller.
(C) All transactions clearing through the same intermediary bank.
(D) All accounts of the same customer should be taken into account.

Oct/Nov 2016

25. Consider the following statements regarding the submission of returns by banking companies:
I. A monthly return showing assets and liabilities in India as at the close of business on the last Friday of the previous month must be submitted.
II. A quarterly return regarding assets in India

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must be submitted within one month of the end of the quarter.
III. A return on unclaimed deposits not operated for ten years must be filed within thirty days of the close of each calendar year.
IV. Every scheduled bank must submit a return to the Reserve Bank relating to cash reserve under Section 18(1) of the BR Act.
V. Scheduled banks must submit returns of their demand and time liabilities under Section 42 of the RBI Act.

Which of the above statement(s) is/are correct?
(A) I, II, III, and V
(B) I, III, IV, and V
(C) II, III, IV, and V
(D) I, II, IV, and V

May/June 2018

26. A newly listed scheduled commercial bank is preparing its financial results for the first quarter of the financial year. The bank's compliance officer is determining the appropriate format for publishing these unaudited quarterly results. As per the regulatory framework, which entity prescribes the format for these specific results?
(A) The Reserve Bank of India
(B) The Institute of Chartered Accountants of India
(C) The Ministry of Corporate Affairs
(D) The Securities and Exchange Board of India

Oct/Nov 2022

27. Read the following scenario regarding identification records and answer the question.
Mr. X held a savings account with a commercial bank for ten years. He officially closed the account on January 1, 2020. The bank possesses copies of his passport and PAN card obtained during the account opening and periodically renewed during the business relationship.
As per regulatory requirements, until what date must the bank mandatorily preserve these identification records?
(A) January 1, 2025
(B) January 1, 2023
(C) January 1, 2030
(D) January 1, 2035

May/June 2005

28. An empanelled chartered accountant is conducting the statutory audit of a commercial bank incorporated in India. While finalizing the audit report, the auditor notes that the core financial statements represent a true and fair view. However, to comply with the Banking Regulation Act, the auditor must explicitly state additional matters in the report. Which of the following is an additional matter the auditor must report?
(A) Whether company transactions were within its powers
(B) Whether the bank's non-performing assets significantly exceed the industry average
(C) Whether the bank's capital adequacy ratio strictly complies with Basel III norms
(D) Whether the bank has adequately funded all its Corporate Social Responsibility initiatives

Oct/Nov 2010

29. Arrange the following scenarios in the chronological sequence of penalties applicable to a non-scheduled bank defaulting on its Cash Reserve Ratio (CRR) maintenance:
1. Bank fails to maintain CRR on a given day.
2. The default continues on subsequent days.
3. Penalty is levied at a rate of 5% above the bank rate.
4. Penalty is levied at a rate of 3% above the bank rate.

(A) 1, 4, 2, 3
(B) 1, 3, 2, 4
(C) 1, 2, 4, 3
(D) 1, 4, 3, 2

May/June 2021

30. Match the following elements of a banking company's audit in List I with their corresponding statutory provisions in List II:
List I: (Elements)
P. Qualifications of an auditor
Q. Special audit by RBI order
R. Powers and duties of auditors under Companies Act 2013
S. RBI's Enforcement Action Framework in respect of statutory auditors

List II: (Statutory Provisions)
1. Section 143
2. Year 2018
3. Section 30(1)
4. Section 30(1B)

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-4, S-3

NODIA

(D) P-2, Q-1, R-3, S-4

Oct/Nov 2006

31. What is the primary function of the RBI's initiative named "DAKSH," as announced via its Press Release dated 06-10-2022?

(A) An automated clearing house for fast-tracking internal inter-bank settlements
(B) A decentralized blockchain ledger for maintaining the registry of large borrowers
(C) A web-based application for monitoring compliance in Supervised Entities
(D) A statutory framework for prosecuting various defaulting corporate borrowers

May/June 2019

32. Read the following scenario regarding an acquired foreign bank and answer the question.
The Central Government acquires the Indian undertaking of a foreign banking company. The foreign bank finds the compensation offered by the Government unacceptable.
Under Section 36AH of the BR Act, what recourse is mandated if the foreign bank makes a specific request?

(A) The RBI must unilaterally recalculate the compensation using international standards
(B) A reference must be made to a tribunal to hear the compensation claims
(C) The foreign bank must appeal directly to the Supreme Court of India for relief
(D) The Central Government's initial offer is final and binding with no further recourse

Oct/Nov 2014

33. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): When an inspection of a banking company is carried out at the behest of the Government of India, the Reserve Bank of India is mandated to send a copy of the report to the Government.
Reason (R): Based on the report, the Government of India is authorized to take further action, including prohibiting the bank from taking further deposits.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2012

34. Which of the following correctly identifies when the Reserve Bank may prepare a scheme for reconstruction or amalgamation of a banking company?

(A) Only after a banking company has completely liquidated all its tangible assets
(B) Exclusively when requested by a minimum of 75% of the bank's total shareholders
(C) Only upon receiving a direct mandate from the appointed High Court liquidator
(D) During a moratorium or whenever necessary in the public or depositors' interest

Oct/Nov 2025

35. Which of the following statements accurately reflects the composition of the Board for Financial Supervision (BFS)?

(A) The Governor of the Reserve Bank of India is the chairman of the board.
(B) The Finance Minister of India acts as the chairman of the board.
(C) It includes five independent directors nominated by the Securities and Exchange Board of India.
(D) The board relies exclusively on external statutory auditors for all its decisions.

May/June 2007

36. Which of the following statements regarding the sanction of a scheme of amalgamation by the Government is incorrect?

(A) The scheme comes into force on the exact date the draft is published, regardless of Government sanction.
(B) A copy of the draft scheme has to be sent to the Government and the banking companies concerned for suggestions and objections.
(C) The Central Government may sanction the scheme with such modifications as it may consider necessary.
(D) Sanction by the Central Government is conclusive evidence that amalgamation has been done in compliance with Section 45.

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Oct/Nov 2018

37. Match the regulatory actions in List I with their corresponding statutory sections in the Banking Regulation Act in List II:
List I: (Regulatory Actions)
P. Special Audit
Q. Inspections
R. Scrutiny
S. Return of Paid Instruments
List II: (Statutory Sections)
1. Section 35
2. Section 35(1A)
3. Section 45Z
4. Section 30(1B)
(A) P-4, Q-1, R-2, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-1, R-4, S-2

May/June 2023

38. When the Central Government acquires the undertaking of a banking company under Section 36AE, what are the options available regarding the vesting of the acquired assets and liabilities?
(A) They vest in the Government, which may then order vesting in a specific corporation
(B) They must exclusively vest in the Central Government without any further exception
(C) They are immediately auctioned to the highest private bidder to recover bank funds
(D) They are transferred directly to the Depositor Education and Awareness Fund pool

Oct/Nov 2009

39. Read the following scenario regarding amalgamation and answer the question.
During a meeting for the voluntary amalgamation of Bank A with Bank B, a shareholder of Bank A votes against the draft scheme and registers a formal dissent. Despite this, the scheme achieves the required two-thirds majority and is subsequently sanctioned by the RBI.
What right does the dissenting shareholder hold in this scenario?
(A) The shareholder can veto the entire amalgamation process through a civil suit
(B) The shareholder is forced to accept shares in Bank B at a discounted rate
(C) The shareholder's shares are automatically forfeited to the DEAF account
(D) The shareholder may claim their share value if the scheme is sanctioned

May/June 2016

40. Consider the following types of institutions that fall under the purview of the Board for Financial Supervision (BFS):
I. Scheduled Commercial and Co-operative Banks
II. All India Financial Institutions
III. Local Area Banks and Small Finance Banks
IV. Credit Information Companies
V. Non-Banking Finance Companies and Primary Dealers
Which of the above statement(s) is/are correct?
(A) I, II, and V
(B) I, III, IV, and V
(C) II, III, and IV
(D) I, II, III, IV, and V

Oct/Nov 2020

41. Consider the following direct legal effects upon the Central Government sanctioning a scheme of amalgamation:
I. It becomes binding on the banking company, transferee bank, members, and depositors.
II. Assets and properties stand transferred to and vest in the transferee bank.
III. Liabilities stand transferred and become liabilities of the transferee bank.
IV. Any difficulty arising in implementation can be removed by orders of the Central Government.
V. A copy of the scheme and any orders for removing difficulties has to be placed before the Parliament.
Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, II, III, IV, and V

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May/June 2022

42. Read the following scenario regarding regulatory inspection and answer the question.
The Central Government directs the RBI to inspect a commercial bank. The findings reveal grave irregularities, and the Government contemplates issuing an order to prohibit the bank from accepting further deposits.
Procedurally, what must the Government ensure before passing such an order?
(A) It must publish the entire inspection report

in two national daily newspapers
(B) It must immediately appoint a special official liquidator for the company
(C) It must allow the banking company to represent its case regarding the report
(D) It must obtain a formal resolution from the bank's board of directors first

Oct/Nov 2023

43. Under Section 36AF, the Central Government is empowered to make a scheme for any acquired bank. Consider the following matters for which the scheme may provide:
I. Property and assets
II. Liabilities
III. Board of management
IV. Service of employees and their terms and conditions
V. Payment of compensation to shareholders
Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) I, III, IV, and V
(C) II, III, IV, and V
(D) I, II, III, IV, and V

May/June 2011

44. Consider the following functions and initiatives taken by the Board for Financial Supervision (BFS):
I. Introduction of off-site surveillance system to complement on-site supervision.
II. Introduction of scheme of Prompt Corrective Action Framework for weak banks.
III. Establishment of a credit registry in respect of large borrowers.
IV. Directly issuing banking licenses to foreign banks without Central Government consultation.
Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2012

45. Read the following scenario regarding an employee after amalgamation and answer the question.
Bank X is amalgamated into Bank Y under a scheme prepared by the RBI. The scheme dictates the continuance of service of employees of Bank X.
According to the regulatory framework and Supreme Court judgments, what protection is afforded to these continuing employees regarding their compensation?
(A) They must accept a mandatory 10% pay cut to offset any amalgamation related costs
(B) Their pay is frozen indefinitely at the level they received in their former bank
(C) Within three years, they must receive pay and terms equal to the transferee bank
(D) They are converted to contractual staff for five years before any formal absorption

May/June 2015

46. What is a key procedural difference between an "Inspection" conducted under Section 35 and a "Scrutiny" conducted under Section 35(1A) of the Banking Regulation Act regarding the provision of reports?
(A) Inspection reports are only shared if adverse action is contemplated, whereas scrutiny reports must always be shared.
(B) Inspection reports are given to the bank, while scrutiny reports are only shared if required.
(C) Inspection reports are published in the official gazette, while scrutiny reports are strictly confidential.
(D) Both reports must be mandatorily provided to the banking company within 30 days without exception.

Oct/Nov 2013

47. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): The Central Government may pass an order of moratorium staying the commencement or continuation of any action against a banking company, and this period is extendable from time to time.
Reason (R): However, the total period of moratorium shall not exceed a maximum duration of six months.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.

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(D) Assertion (A) is false, but Reason (R) is true.

May/June 2008

48. In which month and year was the Board for Financial Supervision (BFS) set up with the objective of ensuring dedicated and integrated supervision over credit institutions?
(A) August 1997
(B) November 1994
(C) April 2018
(D) November 2019

Oct/Nov 2017

49. Which provision ensures that the Central Government's acquisition of a banking undertaking and any scheme framed thereunder cannot be challenged or overridden by conflicting provisions in other statutes?
(A) The overriding effect of Part IIC of the Banking Regulation Act
(B) The specific exemption clause found in the SEBI Listing Agreement
(C) The discretionary powers granted to the High Court Liquidator
(D) The integration clause of the unified Department of Supervision

May/June 2006

50. According to Section 36AE of the Banking Regulation Act, the Central Government can acquire the undertaking of a banking company upon receipt of a report from the Reserve Bank. Which of the following is NOT one of the specific grounds for such acquisition mentioned in the Act?
(A) The bank has, on more than one occasion, failed to comply with written directions under Section 21 or 35A relating to banking policy.
(B) The bank is being managed in a manner detrimental to the interests of its depositors.
(C) The bank has reported operational losses for two consecutive financial quarters.
(D) Acquisition is for the better provision of credit generally or to a particular section of the community.

Oct/Nov 2008

51. Consequent to an amalgamation, the transferee bank carries on the business of the acquired bank. The Central Government may give necessary exemptions and modifications in this behalf. What is the statutory limitation on such modifications or exemptions?
(A) They must apply uniformly to all branches globally.
(B) They cannot be applied to priority sector lending targets.
(C) They require monthly ratification by the Parliament.
(D) They should not last for more than seven years.

May/June 2024

52. During a scrutiny conducted by the Reserve Bank of India under Section 35(1A) of the BR Act, which of the following powers extends to the examining officers, similar to an inspection?
(A) The power to instantly revoke the banking license of the company in question
(B) The power to independently sanction the amalgamation of the bank with others
(C) The power to declare the bank insolvent without any prior notification period
(D) The power to call for books and examine any company officer under oath

Oct/Nov 2021

53. Identify the incorrect pairing between the former RBI supervisory departments and the entities they supervised before integration into a unified Department of Supervision:
(A) Department of Banking Supervision (DBS) – Commercial Banks & All India Financial Institutions
(B) Department of Non-Banking Supervision (DNBS) – NBFCs
(C) Department of Cooperative Banks Supervision (DCBS) – Primary Dealers
(D) Department of Cooperative Banks Supervision (DCBS) – Cooperative Banks

May/June 2013

54. Consider the following statements regarding amalgamation by the Government:
I. The Central Government is empowered to order amalgamation of two banking companies under Section 396 of the Companies Act 1956 (Section 237 of Companies Act 2013).
II. This power can be exercised independently without any consultation with the Reserve Bank.
III. The RBI has no role in amalgamations

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initiated directly by the Central Government.

Which of the above statement(s) is/are correct?

(A) Only I
(B) I and II
(C) II and III
(D) I and III

Oct/Nov 2015

55. Consider the following statements regarding compensation to shareholders of an acquired bank:

I. Shareholders are entitled to compensation determined in accordance with the principles contained in the Fifth Schedule, in consultation with RBI.
II. If the compensation offered is not acceptable, the person may request the Central Government to refer the matter to a tribunal.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2020

56. Consider the following statements regarding the Annual Financial Inspection (AFI) conducted by the RBI:

I. It is conducted under Section 35 of the BR Act every year.
II. It consists mainly of assessing all types of risks under 'Risk Based Supervision' through SPARC.
III. The inspecting team may require the bank to furnish statements within a specified time, but cannot examine any officer on oath.

Which of the above statement(s) is/are correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2005

57. Consider the following provisions that a scheme of amalgamation or reconstruction prepared by the Reserve Bank under Section 45 may contain:

I. Transfer of assets from transferor bank to transferee bank.
II. Change in or appointment of board of directors.
III. Reduction of the interest or rights of members, depositors, or other creditors considered necessary in public interest.
IV. Payment in cash or otherwise to creditors and other depositors.

Which of the above statement(s) is/are correct?

(A) I and II
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, III, and IV

May/June 2017

58. Read the following scenario regarding a Non-Banking Financial Company and answer the question.

A prominent Non-Banking Financial Company (NBFC) has several subsidiary group companies involved in real estate and technology. The Reserve Bank suspects that systemic risks are accumulating in these group companies.

Under Section 45NAA of the RBI Act (inserted in 2019), what regulatory action can the RBI take?

(A) RBI may direct the NBFC to furnish data or cause audits of its group companies
(B) The RBI can only inspect the core financial statements of the parent NBFC entity
(C) The RBI must apply to the High Court to appoint a liquidator for the group companies
(D) The RBI has no jurisdiction over group companies that are not independently registered

Oct/Nov 2024

59. Arrange the following steps for the voluntary amalgamation of two banking companies in the correct chronological order as per Section 44A of the BR Act:

1. Scheme is approved by a resolution passed by a two-thirds majority in value of the shareholders present.
2. Draft scheme is prepared containing the terms of amalgamation.
3. Order of sanction is passed by the Reserve Bank.
4. Assets and liabilities pass to the amalgamated company, and the transferor company stands dissolved.

(A) 2, 1, 3, 4
(B) 1, 2, 4, 3
(C) 2, 3, 1, 4
(D) 1, 3, 2, 4

NODIA

May/June 2010

60. Match the supervisory milestones and entities in List I with their respective dates or details in List II:

List I: (Milestones/Entities)

P. Integration into unified 'Department of Supervision'

Q. RBI Act amended to insert Section 45NAA

R. Sub-committee of BFS constituted

S. Frequency of BFS meetings

List II: (Dates/Details)

1. April 2018
2. Normally once every month
3. November 1, 2019
4. April 1, 2019

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-4, S-3
(D) P-2, Q-1, R-3, S-4

Oct/Nov 2011

61. While Section 38A of the BR Act stipulates that a Court liquidator shall be attached to every High Court for winding up proceedings, how does Section 39 alter this in cases where the Reserve Bank makes the application?

(A) The High Court liquidator assumes supreme authority over the Reserve Bank
(B) The winding up process is transferred from the Court to the Ministry of Finance
(C) RBI, SBI, or a notified bank/individual may be appointed as liquidator
(D) A panel of depositors must act as joint liquidators throughout the process

May/June 2009

62. Consider the following statements regarding penalties for offences by banking companies:

I. Willful omission to make a material statement in a required document is punishable.
II. The fine for a false statement under the BR Act can extend to Rs. 1 crore.
III. Directors who prove a contravention took place without their knowledge are not deemed guilty.
IV. The RBI must file complaints for BR Act offences exclusively before the High Court.
V. Failure to produce a book asked by an RBI inspecting officer attracts a fine up to Rs. 20 lakh.

Which of the above statement(s) is/are correct?
(A) I, II, III, and V
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2019

63. Read the following scenario regarding a liquidity mismatch and answer the question.

A banking company faces a severe but temporary liquidity mismatch and is unable to meet its obligations. To prevent panic, the bank applies to the High Court for a stay on any proceedings against it.

Under Section 37 of the BR Act, what is the maximum total period the High Court can grant for such a moratorium?

(A) Six months
(B) Three months
(C) Nine months
(D) Twelve months

May/June 2025

64. Which of the following statements regarding penalties for failure to produce books or accounts under the RBI Act is incorrect?

(A) Failure is punishable by a 5-year prison term without any fine option
(B) The failure is punishable with a fine up to Rs. 100,000 for each offence
(C) For continuing offences, there is a fine of Rs. 5,000 for each day of delay
(D) Sections 58B(3) to 58B(5B) deal with penalties for various contraventions

Oct/Nov 2007

65. In the context of the Banking Regulation Act, what does the process of "winding up" primarily signify for a banking company?

(A) The immediate restructuring of the bank's board of directors to prevent bankruptcy
(B) The temporary suspension of taking fresh deposits while continuing normal operations
(C) Dissolving the bank to sell assets, pay creditors, and distribute remains
(D) The amalgamation of the bank's rural branches into a regional rural bank system

May/June 2014

66. Read the following scenario regarding a regulatory default and answer the question.

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A commercial bank fails to comply with the terms of an amalgamation scheme sanctioned under Section 45. The default involves a non-quantifiable amount and the non-compliance continues for exactly 10 days after the initial discovery.

Under the BR Act penalty provisions for such defaults, what is the maximum total fine liability the bank could face for this specific infraction?

(A) Rs. 10 lakhs
(B) Rs. 1 crore and 10 lakhs
(C) Rs. 1 crore and 50 lakhs
(D) Rs. 2 crores

Oct/Nov 2016

67. Read the following scenario regarding a winding up claim and answer the question.

During the winding up of Bank Alpha, the liquidator issues a notice calling for claims. Mr. Y, a depositor with a standing balance of Rs. 50,000, is travelling abroad and fails to file a physical claim form.

Under Section 43 of the BR Act, how will Mr. Y's deposit be treated?

(A) The claim is forfeited due to failure to file within the fifteen-day period
(B) The amount is permanently transferred to the Liquidator's personal fund
(C) His claim is deemed filed for the amount shown in the company's books
(D) He will only receive Rs. 250, and the rest of the balance is irrevocably lost

May/June 2018

68. Consider the following circumstances in which the High Court shall order the winding up of a banking company under Section 38 of the BR Act:

I. The banking company is unable to pay its debts.
II. An application for winding up has been made by the Reserve Bank under Section 37 or 38.
III. The bank has reported a drop in its quarterly profits for three successive quarters.

Which of the above statement(s) is/are correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2022

69. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): If the Reserve Bank imposes a penalty for default or contravention under Section 47A of the BR Act, no complaint shall be filed in a Court in respect of that same contravention.

Reason (R): Section 47A empowers the Reserve Bank to act as the sole adjudicating authority for all criminal offences, removing the jurisdiction of metropolitan magistrates completely.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

NODIA

May/June 2005

70. Consider the following principles regarding offences committed by companies under the RBI Act:

I. Every person in charge of or responsible for the conduct of business is deemed guilty.
II. The accused can be exempted if they prove the offence was committed without their knowledge.
III. The accused can be exempted if they prove they exercised due diligence to prevent the offence.
IV. The court will take cognizance of an offence automatically upon a customer's complaint.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, III, and IV

Oct/Nov 2010

71. Identify the correct pair mapping the statutory provision relating to the winding up of a bank to its section in the Banking Regulation Act:

(A) Section 37 – Winding up by High Court
(B) Section 38 – Suspension of Business and Moratorium
(C) Section 39 – Preferential Payments

(D) Section 38A – Official Liquidator attached to High Court

May/June 2021

72. In winding up proceedings, match the claimant in List I to their priority in receiving preferential payments out of available balance in List II as per Section 43A of the BR Act:

List I: (Claimant)

P. General creditors

Q. Depositors in savings bank account up to Rs. 250 (or balance, whichever is less)

R. Other depositors up to Rs. 250 (or balance, whichever is less)

S. Preferential payments referred to in Section 327 of the Companies Act

List II: (Priority)

1. First preference
2. Second priority
3. Third priority
4. Fourth priority (utilized balance)

(A) P-4, Q-1, R-2, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-2, R-4, S-1

Oct/Nov 2006

73. Which of the following summarizes the overarching authority of the Board for Financial Supervision (BFS)?

(A) It is an autonomous body reporting directly to the Central Finance Ministry
(B) It was set up by the RBI to supervise banking and credit institutions
(C) It acts solely as an advisory council for resolving foreign bank disputes
(D) It replaces the Registrar of Companies in maintaining accounts of NBFCs

May/June 2019

74. Under Section 46 of the BR Act, if any other provision of the Act is contravened, or default is made in carrying out obligations under a scheme, the person shall be punishable with a fine. Which of the following is NOT a component of the fine structure for such general contraventions?

(A) A fine which may extend to a maximum amount of Rs. 1 crore.
(B) A fine up to twice the amount involved in such a quantifiable contravention.
(C) A further fine extending to Rs. 1 lakh for every day the default continues.
(D) Mandatory 10-year suspension from holding any banking position

Oct/Nov 2014

75. A lawful demand for repayment is made at a branch office of a banking company located in a city where the Reserve Bank of India has an office. The bank refuses to meet the demand. Under the BR Act, after how many days of failure to pay does the bank get deemed unable to pay its debts, allowing the RBI to certify it for winding up?

(A) Two days
(B) Five days
(C) Seven days
(D) Fourteen days

May/June 2012

76. Under the Reserve Bank of India Act, if a person willfully makes a false statement in any return or willfully omits to make a material statement, what is the maximum prescribed punishment?

(A) A simple warning and a fine up to Rs. 10,000.
(B) Imprisonment up to a period of one year and a fine.
(C) Cancellation of the banking license and a fine of Rs. 1 crore.
(D) Imprisonment up to three years and a fine

Oct/Nov 2025

77. Read the following scenario regarding regulatory contravention and answer the question.

An officer of the Reserve Bank discovers a major regulatory contravention at a commercial branch and wishes to initiate criminal proceedings.

Under Section 47 of the BR Act, which judicial authority has the jurisdiction to take cognizance of this offence upon the officer's written complaint?

(A) A civil judge of the junior division
(B) The National Company Law Tribunal (NCLT)
(C) A metropolitan magistrate or judicial first class
(D) The Debt Recovery Tribunal (DRT)

May/June 2007

78. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two

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statements carefully and select the correct answer.

Assertion (A): During a period of moratorium granted under Section 37, the Reserve Bank may apply to the High Court for the winding up of the banking company.

Reason (R): This application can be made if the RBI is satisfied that the affairs of the bank are being conducted in a manner detrimental to the interests of the proponents.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2018

79. Consider the following statements regarding the voluntary winding up of banking companies under Section 44 of the BR Act:

I. A banking company can undergo voluntary winding up at any time by a simple board resolution, without any external certification.
II. Voluntary winding up is not permissible unless the Reserve Bank certifies that the bank will not be able to pay in full all its debts as they accrue.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2023

80. Match the specific offences under Section 46 of the BR Act in List I with their corresponding maximum penalties in List II:

List I: (Offences)

P. Willfully making a false statement in a balance sheet
Q. Failing to produce a book or answer a question during inspection
R. Continuing to persist in refusal to produce books (daily fine)
S. Receiving deposits in contravention of an order under Sec 35(4)(a)

List II: (Maximum Penalties)

1. Fine extending to twice the amount of deposits received
2. Fine which may extend to Rs. 50,000 for every day
3. Imprisonment up to 3 years and fine up to Rs. 1 crore or both
4. Fine which may extend to Rs. 20 lakh

(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

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ANSWERS

1. (D) The displayed copy must be submitted to the Registrar of Companies prior to physical display.
Banking companies incorporated outside India must display their audited balance sheet and profit and loss account in their principal office. This display must occur by the first Monday in August. While the accounts are kept displayed until replaced, there is no legal mandate to submit copies to the Registrar of Companies before the physical display process begins.

2. (C) If the default continues on subsequent days, the penalty shall be increased to the rate of 7% above the bank rate.
Non-scheduled banks must maintain cash reserves and submit monthly returns. If a bank defaults, the Reserve Bank of India imposes a penalty at three percent above the bank rate on the shortfall. If the default continues on subsequent days, this penalty increases to five percent above the bank rate. The seven percent rate is factually incorrect.

3. (C) It must be signed by the statutory auditor before the directors append their signatures.
Balance sheets and profit and loss accounts of Indian banking companies require signatures from the manager or principal officer and at least three directors. If there are fewer directors, all must sign. Legally, the directors must sign these financial documents before they are submitted to the statutory auditor for audit, ensuring management first takes responsibility for the statements.

4. (D) I, II, III, and IV
Under the Prevention of Money Laundering Rules, banks must maintain records for various transactions. These include cash transactions exceeding ten lakh rupees, receipts by non-profit organizations above the same threshold, and all cash transactions involving forged or counterfeit currency. Furthermore, all suspicious transactions must be recorded regardless of whether they involve cash or other modes of payment.

5. (D) I, II, III, and IV
Statutory auditors of Indian banking companies must include specific disclosures in their reports. They must state if information provided was satisfactory and if branch returns were adequate for the audit. The report must confirm the financial statements show a true and fair view. Additionally, auditors are duty-bound to report any other matters necessary for the shareholders' notice.

6. (C) Both I and II
Section 45Y of the Banking Regulation Act allows the Central Government to define preservation periods for bank records after consulting the Reserve Bank. Consequently, the Indian Banks' Association clarified that existing practices of keeping records for five to eight years should continue. This ensures consistency across the banking sector while complying with statutory requirements for document retention and disposal.

7. (B) The Central Government
Section 29 of the Banking Regulation Act mandates that banking companies prepare their financial statements annually. These accounts are prepared at the end of the calendar year or at the expiration of a twelve-month period. The specific date marking the end of this twelve-month period is determined and notified by the Central Government rather than the regulator.

8. (B) Return of Assets in India – Rule 14B
The Banking Regulation Rules prescribe specific forms for various returns. Rule 13A governs the return on liquid assets, while Rule 14A covers monthly returns for assets and liabilities. Rule 14B is specifically designated for returns on unclaimed deposits. Therefore, associating the return of assets in India with Rule 14B is incorrect as it does not match the framework.

9. (B) To utilize unspent bank deposits for customer welfare and depositor interests
The Depositor Education and Awareness Fund was established under Section 26A of the Banking

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Regulation Act. Its primary purpose is to utilize amounts from bank accounts that have remained inactive or unclaimed for over ten years. These funds are allocated toward promoting depositor interests and conducting awareness programs, ensuring unspent money serves a constructive purpose in banking.

10. (C) Special Audit
Section 30(1B) of the Banking Regulation Act grants the Reserve Bank of India the authority to mandate a special audit. This occurs when the regulator believes such an audit is necessary in the public interest or to protect depositors. Unlike regular statutory or concurrent audits, a special audit focuses on specific areas of concern identified by the regulator.

11. (D) The specific branch manager authorizing the transaction
Regulatory guidelines for reconstructing transactions require banks to preserve essential data. This includes the nature of the transaction, the specific amount, the currency used, and the date the transaction took place. However, the identity or authorization of the specific branch manager involved in the transaction is not explicitly mandated as a required field for the purpose of reconstruction.

12. (B) Only II
While Section 129 of the Companies Act generally prescribes financial statement formats in Schedule III, it provides exceptions for specific sectors. For banking companies, the Banking Regulation Act contains specialized provisions regarding the preparation and format of balance sheets and profit accounts. These specific banking laws override the general company law provisions regarding financial statement presentation.

13. (A) The bank is liable to make the payment with necessary interest and claim a refund from the RBI.
When deposits remain unclaimed for ten years, they are transferred to the Depositor Education and Awareness Fund. However, if a customer later claims the funds, the bank is legally obligated to pay the depositor the amount along with any applicable interest. After making this payment, the bank is then entitled to claim a refund from the Reserve Bank.

14. (C) The banking company itself
Under Section 30(1B) of the Banking Regulation Act, the Reserve Bank may direct a special audit of a banking company. Although the regulator initiates this process in the public interest, the statute explicitly specifies that the expenses incurred for such an audit, including the auditor's remuneration, must be borne by the banking company whose accounts are being audited.

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15. (D) A bank may return paid instruments if it retains a verified true copy
Section 45Z of the Banking Regulation Act allows banks to return paid instruments to their customers upon request. To ensure records remain available for future reference, the bank must retain a verified true copy or a microfilm of the original instrument. This provision applies to all customers, including government departments, provided the bank maintains appropriate record-keeping standards.

16. (A) Their accounts must cover the business transacted through all their branches in India.
Foreign banks operating within India must prepare annual accounts that specifically reflect the business conducted through their Indian branches. These financial statements are not required to consolidate the bank's global operations or its parent company's home country accounts. Instead, they focus exclusively on the assets, liabilities, and profitability generated from their activities and principal office in India.

17. (A) At least five years
The Prevention of Money Laundering Amendment Act 2012 establishes clear timelines for record maintenance by financial institutions. Banks are required to preserve records of all transactions, whether domestic or foreign, for a minimum period of five years from the date the transaction occurred. This ensures that historical data is available for investigation by authorities into money laundering activities.

18. (A) Section 32 of the BR Act – Furnishing three copies of accounts and balance sheet to the Registrar
Section 32 of the Banking Regulation Act requires every banking company to furnish three copies of its audited balance sheet and profit and loss account to the Registrar of Companies. Other

sections cited relate to different functions, such as Section 29 for preparation of accounts and Section 31 for the submission and publication of accounts to the regulator.

19. (A) I and II
Section 25(1) of the Banking Regulation Act requires banks to maintain a certain level of assets in India. To ensure compliance, banks must submit a quarterly return detailing these assets. While the submission is mandatory, the statutory deadline for this specific quarterly return is within one month after the end of the quarter, not three months.

20. (A) Within twenty days from the end of the month to which it relates
Every banking company is mandated under Section 24(3) of the Banking Regulation Act to submit a return of its liquid assets to the Reserve Bank. This return must accurately reflect the bank's liquidity position at the end of each month. The law stipulates that this document must be filed within twenty days after the month's conclusion.

21. (C) The bank must record this transaction as it exceeds the Rs. 10 lakh threshold
Under the Prevention of Money Laundering Rules, financial institutions are obligated to maintain records of specific high-value transactions. This includes all receipts by non-profit organizations where the value exceeds ten lakh rupees. Even if the donation is in cash and from an anonymous source, the bank must record the transaction to comply with anti-money laundering and transparency regulations.

22. (A) I and II
Banking companies must submit three copies of their audited balance sheet and profit and loss account to the Reserve Bank of India. This submission is required within three months from the end of the financial period. While the Reserve Bank has the power to extend this deadline, the maximum allowable extension is three months, rather than six months.

23. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A banking company is required to obtain prior approval from the Reserve Bank before appointing or removing an auditor. This regulatory oversight is essential because a strong audit function ensures the bank meets legal and compliance standards. Therefore, the importance of audit efficiency serves as the foundational reasoning for the regulator's direct control over the auditor appointment process.

24. (D) All accounts of the same customer should be taken into account.
To prevent the circumvention of reporting requirements, the Prevention of Money Laundering Rules aggregate connected cash transactions. If a series of transactions individually below the threshold exceeds ten lakh rupees in a month, they must be recorded. The primary criterion for determining if these transactions are "integrally connected" is whether they involve various accounts of the same customer.

25. (A) I, II, III, and V
Banking companies must file various regulatory returns, including monthly reports on assets and liabilities and quarterly returns on Indian assets. They are also required to report unclaimed deposits annually. While scheduled banks submit demand and time liability returns under the RBI Act, the specific cash reserve returns under Section 18 of the BR Act apply only to non-scheduled banks.

26. (D) The Securities and Exchange Board of India
When a commercial bank is listed on a stock exchange, it must comply with additional disclosure requirements. For the publication of unaudited quarterly financial results, the format is prescribed by the Securities and Exchange Board of India. This ensures that listed banks provide financial information in a standardized manner consistent with other listed companies for the benefit of investors.

27. (A) January 1, 2025
Regulatory requirements for anti-money laundering mandate that banks preserve identification records obtained during the customer relationship. These records, such as passport and PAN card copies, must be maintained for at least five years after the business relationship has ended. Since the account was closed on January 1, 2020, the mandatory preservation period extends until January 1, 2025.

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28. (A) Whether company transactions were within its powers
Besides providing a true and fair view of the financial statements, bank auditors must address specific statutory requirements. Under the Banking Regulation Act, the audit report must explicitly state whether the transactions of the company which came to the auditor's notice were within the powers of the bank. This ensures management adheres to defined legal and operational limits.

29. (A) 1, 4, 2, 3
When a non-scheduled bank fails to maintain its required Cash Reserve Ratio, a structured penalty system applies. Initially, the bank fails to meet the requirement on a given day. For that first day of default, a penalty of three percent above the bank rate is levied. If the default continues on subsequent days, the penalty rate increases to five percent.

30. (A) P-3, Q-4, R-1, S-2
Section 30(1) of the Banking Regulation Act defines auditor qualifications, while Section 30(1B) empowers the RBI to order special audits. The general powers and duties of auditors are found in Section 143 of the Companies Act. Furthermore, the RBI introduced an Enforcement Action Framework for statutory auditors in 2018 to ensure high standards of financial reporting.

31. (C) A web-based application for monitoring compliance in Supervised Entities
The Reserve Bank of India launched "DAKSH" as an advanced web-based application to enhance its supervisory processes. This platform is designed to automate and streamline the monitoring of compliance within Supervised Entities. By leveraging technology, DAKSH aims to make the supervisory system more robust and efficient, ensuring that banks and other financial institutions adhere to regulatory requirements effectively.

32. (B) A reference must be made to a tribunal to hear the compensation claims
Under Section 36AH of the Banking Regulation Act, if a foreign banking company whose Indian undertaking has been acquired finds the offered compensation unacceptable, it has a specific legal recourse. Upon the bank's request, the Central Government is mandated to refer the matter to a tribunal. This tribunal is responsible for hearing the claims and determining the final compensation amount.

33. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
When the Central Government directs the Reserve Bank to inspect a bank, the resulting report must be submitted back to the Government. This procedure is critical because the findings empower the Government to take necessary regulatory actions. Such actions may include prohibiting the bank from accepting further deposits if the report highlights serious mismanagement or risks to the depositors.

34. (D) During a moratorium or whenever necessary in the public or depositors' interest
The Reserve Bank of India has the authority to prepare a scheme for the reconstruction or amalgamation of a banking company under specific conditions. This action can be taken during a period of moratorium or at any other time if the regulator is satisfied it is necessary for the public interest, depositors' benefit, or to ensure proper banking management.

35. (A) The Governor of the Reserve Bank of India is the chairman of the board.
The Board for Financial Supervision was established to provide focused oversight of the financial sector. The Governor of the Reserve Bank of India serves as the ex-officio chairman of this board. The BFS includes deputy governors and other members nominated to ensure comprehensive supervision over various credit institutions, including commercial banks, financial institutions, and non-banking finance companies.

36. (A) The scheme comes into force on the exact date the draft is published, regardless of Government sanction.
A scheme of amalgamation does not come into force simply upon the publication of its draft. Instead, the Central Government must first send the draft to the involved banks for feedback and then formally sanction it. Once sanctioned, often with necessary modifications, the scheme

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becomes conclusive evidence of legal compliance and only then takes effect according to its terms.

37. (A) P-4, Q-1, R-2, S-3
Specific sections of the Banking Regulation Act define the regulator's powers. Section 35 governs general inspections, while Section 35(1A) covers the power of scrutiny. Special audits are ordered under Section 30(1B). Additionally, Section 45Z regulates the return of paid instruments to customers. Matching these actions to their correct statutory provisions is essential for understanding the legal framework of banking.

38. (A) They vest in the Government, which may then order vesting in a specific corporation
When the Central Government acquires a banking undertaking under Section 36AE, the assets and liabilities initially vest in the Government. However, the law allows for flexibility in the subsequent management of these assets. The Government may issue an order to vest the acquired undertaking in a specific corporation, ensuring that the bank's operations continue under a new legal structure.

39. (D) The shareholder may claim their share value if the scheme is sanctioned
In a voluntary amalgamation under Section 44A of the Banking Regulation Act, a shareholder who votes against the scheme and records a formal dissent is protected. If the Reserve Bank subsequently sanctions the amalgamation, the dissenting shareholder is entitled to claim the value of their shares as determined by the Reserve Bank. This ensures that minority interests are financially compensated.

40. (D) I, II, III, IV, and V
The Board for Financial Supervision exercises oversight over a wide range of financial entities. Its jurisdiction includes scheduled commercial and co-operative banks, all-India financial institutions, and local area or small finance banks. Furthermore, the BFS monitors credit information companies, non-banking financial companies, and primary dealers, ensuring systemic stability and regulatory compliance across the entire Indian financial landscape.

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41. (D) I, II, III, IV, and V
Once the Central Government sanctions an amalgamation scheme, it becomes legally binding on all stakeholders, including the banks, members, and depositors. Assets and liabilities are automatically transferred to the transferee bank. The Government also has the power to resolve implementation difficulties through orders, which must then be presented before Parliament to ensure transparency and legislative oversight.

42. (C) It must ensure the banking company is allowed to represent its case regarding the report
Before the Central Government can issue an order prohibiting a bank from accepting new deposits based on an inspection report, it must follow due process. The government is legally required to provide the banking company with an opportunity to make a representation regarding the report's findings. This ensures the principles of natural justice are upheld before taking such drastic action.

43. (D) I, II, III, IV, and V
A scheme framed by the Central Government for an acquired bank under Section 36AF can cover several critical areas. These include the management of property and liabilities, the appointment of a new board of management, and the terms of service for existing employees. Additionally, the scheme must outline the principles and methods for paying compensation to the bank's shareholders.

44. (A) I, II, and III
The Board for Financial Supervision has implemented several key initiatives to improve oversight. These include introducing off-site surveillance to complement traditional on-site inspections and establishing the Prompt Corrective Action framework for weak banks. The BFS also created a credit registry for large borrowers. However, issuing banking licenses remains a direct function of the Reserve Bank rather than a BFS activity.

45. (C) Within three years, they must receive pay and terms equal to the transferee bank
When banks merge, the service conditions of employees from the transferor bank are protected. According to the regulatory framework

and legal precedents, continuing employees must be integrated into the transferee bank's structure. The law requires that within a period of three years, these employees should receive remuneration and terms of service that are at par with those of the transferee bank.

46. (B) Inspection reports are given to the bank, while scrutiny reports are only shared if required.
While both inspections and scrutinies are supervisory tools, they differ in their reporting protocols. Reports from inspections conducted under Section 35 are generally provided to the bank for their response and action. In contrast, reports from a scrutiny conducted under Section 35(1A) are not mandatorily shared and are only provided if the Reserve Bank deems it necessary or required.

47. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
The High Court has the authority to grant a moratorium staying legal proceedings against a banking company. This stay can be extended periodically to allow the bank time to resolve liquidity issues. While the total duration of such a moratorium is indeed capped at six months, this statutory limit serves as a boundary rather than the underlying reason for the stay's existence.

48. (B) November 1994
The Board for Financial Supervision was established by the Reserve Bank of India in November 1994. Its creation was intended to provide a dedicated and integrated supervisory structure for the Indian financial system. By centralizing the oversight of commercial banks, financial institutions, and non-banking finance companies, the BFS aims to strengthen the stability and integrity of the credit market.

49. (A) The overriding effect of Part IIC of the Banking Regulation Act
Part IIC of the Banking Regulation Act contains provisions relating to the acquisition of banking undertakings. This specific part of the law is designed to have an overriding effect, meaning its rules and schemes cannot be invalidated by conflicting provisions in other statutes. This legal supremacy ensures that the Government's actions in acquiring or restructuring a bank remain legally robust.

50. (C) The bank has reported operational losses for two consecutive financial quarters.
Section 36AE of the Banking Regulation Act specifies grounds for acquiring a bank, such as persistent failure to comply with regulatory directions or management detrimental to depositors. Acquisition is also permitted for better credit provision to the community. However, reporting operational losses for two consecutive quarters is not explicitly listed as a statutory ground for the Central Government to initiate an acquisition.

51. (D) They should not last for more than seven years.
When a transferee bank takes over an acquired bank's business, the Central Government may provide exemptions or modifications to help the integration. However, these regulatory relaxations are not permanent. The Banking Regulation Act stipulates a statutory limit, stating that such modifications or exemptions should not remain in force for a period exceeding seven years from the date of the acquisition.

52. (D) The power to call for books and examine any company officer under oath
During a scrutiny conducted under Section 35(1A) of the Banking Regulation Act, the Reserve Bank's officers possess significant investigative powers. These are identical to the powers exercised during a full inspection, allowing officials to demand any relevant books or documents. Furthermore, the examining officers have the legal authority to examine any officer or employee of the banking company under oath.

53. (C) Department of Cooperative Banks Supervision (DCBS) – Primary Dealers
Before integration into a unified Department of Supervision, different RBI departments supervised specific entities. The Department of Banking Supervision focused on commercial banks, while the Department of Non-Banking Supervision handled NBFCs. The Department of Cooperative Banks Supervision was responsible for cooperative banks. Associating the DCBS with primary dealers is incorrect, as those were monitored through different regulatory channels.

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54. (A) Only I
The Central Government has the power to order the amalgamation of two companies, including banks, in the public interest under the Companies Act. However, when banking companies are involved, this power is not exercised in isolation. The government must consult with the Reserve Bank of India to ensure that the amalgamation aligns with banking policies and does not jeopardize depositor interests.

55. (C) Both I and II
Shareholders of an acquired bank are legally entitled to compensation based on principles outlined in the Fifth Schedule of the Banking Regulation Act. This determination involves consultation with the Reserve Bank. If a shareholder finds the offered amount unacceptable, they have the right to request that the Central Government refer the dispute to an independent tribunal for a final decision.

56. (A) I and II
The Annual Financial Inspection is a core supervisory function conducted by the Reserve Bank under Section 35 of the Banking Regulation Act. It utilizes the Risk Based Supervision framework to assess various institutional risks. While the inspecting team can demand statements, the law also grants them the specific power to examine any bank officer under oath to verify all information provided.

57. (D) I, II, III, and IV
A scheme of reconstruction or amalgamation prepared by the Reserve Bank under Section 45 can include diverse provisions. It may authorize the transfer of assets, restructure the board of directors, and modify the rights of members or depositors if necessary. Additionally, it can specify the methods for making payments to creditors and depositors to ensure a stable transition for the bank.

58. (A) RBI may direct the NBFC to furnish data or cause audits of its group companies
Section 45NAA of the Reserve Bank of India Act, introduced in 2019, provides the regulator with broader powers over Non-Banking Financial Companies. If the RBI suspects systemic risks within an NBFC's group, it can direct the parent entity to provide data regarding its subsidiaries. Furthermore, the RBI is authorized to cause a specialized audit of any company within that corporate group.

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59. (A) 2, 1, 3, 4
The voluntary amalgamation process begins with the preparation of a draft scheme containing specific terms. This scheme must then be approved by a two-thirds majority of shareholders. Once the Reserve Bank sanctions the approved scheme through an official order, the assets and liabilities are transferred to the amalgamated company, and the original transferor company is legally dissolved.

60. (A) P-3, Q-4, R-1, S-2
The integration into a unified Department of Supervision occurred on November 1, 2019, while the RBI Act was amended to include Section 45NAA in August 2019. The BFS sub-committee was constituted in April 2018 to enhance oversight. Furthermore, the Board for Financial Supervision maintains a regular schedule, with its meetings normally being held once every month to review banking performance.

61. (C) RBI, SBI, or a notified bank/individual may be appointed as liquidator
While High Courts generally have an attached liquidator for winding up, Section 39 of the Banking Regulation Act provides special rules for bank liquidations initiated by the Reserve Bank. In these cases, the High Court must appoint the Reserve Bank, the State Bank of India, or another bank or individual notified by the RBI as the official liquidator for the proceedings.

62. (A) I, II, III, and V
Banking laws prescribe penalties for false statements, which can include fines up to one crore rupees. Directors are protected if they prove a contravention occurred without their knowledge. Additionally, failing to produce books for inspection can result in a significant fine. However, the Reserve Bank typically files complaints before a metropolitan magistrate or a first-class judicial magistrate, not exclusively the High Court.

63. (A) Six months
Under Section 37 of the Banking Regulation Act, a banking company facing temporary liquidity

issues can apply to the High Court for a suspension of its obligations. The High Court may grant a moratorium staying proceedings against the bank. While this stay can be extended, the statute limits the total period of such a moratorium to a maximum of six months.

64. (A) Failure is punishable by a 5-year prison term without any fine option
The Reserve Bank of India Act prescribes specific penalties for failing to produce books or accounts. Offenders face a fine of up to one lakh rupees for each offence, with an additional daily fine of five thousand rupees for continuing delays. However, the law does not mandate a five-year prison term without the option of a fine for this particular regulatory contravention.

65. (C) Dissolving the bank to sell assets, pay creditors, and distribute remains
In the context of the Banking Regulation Act, winding up is the legal process of closing down a banking company's operations permanently. It involves appointing a liquidator to realize the bank's assets and use the proceeds to pay off various creditors and depositors. Once all obligations are settled and the remaining funds distributed, the legal entity is officially dissolved.

66. (B) Rs. 1 crore and 10 lakhs
For general contraventions of the Banking Regulation Act or failures to comply with amalgamation schemes, the penalty structure includes an initial fine and a daily fine for continued default. A bank may be fined up to one crore rupees for the initial infraction. If the default persists for ten days, an additional fine of one lakh rupees per day is added.

67. (C) His claim is deemed filed for the amount shown in the company's books
Section 43 of the Banking Regulation Act protects depositors during winding up proceedings even if they fail to file a formal claim. The law stipulates that every depositor is deemed to have filed a claim for the amount shown in the company's books. This ensures that customers do not lose their funds simply due to an inability to submit physical paperwork.

68. (A) I and II
The High Court is mandated to order the winding up of a banking company if it is unable to pay its debts. Additionally, winding up must be ordered if the Reserve Bank submits an application for it under Section 37 or 38. While declining profits are a financial concern, they are not a statutory ground for the High Court's mandatory winding up.

69. (C) Assertion (A) is true, but Reason (R) is false.
If the Reserve Bank imposes a penalty under Section 47A, no further criminal complaint can be filed in court for the same contravention, preventing double jeopardy. However, this power does not make the RBI the sole adjudicating authority for all criminal offences. Metropolitan magistrates still retain their jurisdiction to hear other banking-related criminal cases not handled by the regulator directly.

70. (A) I, II, and III
For offences committed by companies under the RBI Act, the law deems those in charge of the business to be guilty. However, individuals can be exempted if they prove the offence happened without their knowledge or that they exercised due diligence to prevent it. Courts do not take cognizance automatically from customer complaints; they require an authorized official's written complaint.

71. (D) Section 38A – Official Liquidator attached to High Court
Section 38A of the Banking Regulation Act provides for the attachment of an official liquidator to every High Court specifically for bank winding up proceedings. This differs from Section 37, which deals with the suspension of business, and Section 38, which covers winding up by the High Court. Identifying the correct statutory provision is vital for the legal liquidation framework.

72. (A) P-4, Q-1, R-2, S-3
In bank liquidations, Section 43A establishes a clear hierarchy for payments. Savings bank depositors up to two hundred fifty rupees receive first preference. Other depositors up to the same amount have second priority. These are followed by preferential payments defined in the Companies Act. Finally, general creditors

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are paid from any remaining balance, ensuring a prioritized distribution of available assets.

73. (B) It was set up by the RBI to supervise banking and credit institutions
The Board for Financial Supervision is a specialized body established by the Reserve Bank of India to provide comprehensive and integrated oversight. Its primary function is to supervise and regulate various credit institutions, including commercial banks and non-banking financial companies. By focusing specifically on supervision, the BFS ensures the stability, efficiency, and legal compliance of Indian financial sector participants.

74. (D) Mandatory 10-year suspension from holding any banking position
Section 46 of the Banking Regulation Act outlines fines for general contraventions, which can include a maximum penalty of one crore rupees or twice the amount involved. Continuing defaults attract a daily fine of one lakh rupees. However, the statute does not include a mandatory ten-year suspension from holding banking positions as a standard component of these specific financial penalty provisions.

75. (A) Two days
A banking company is legally deemed unable to pay its debts if it fails to meet a lawful demand for payment at a branch office. In cities where the Reserve Bank of India maintains an office, this failure must persist for two working days. Upon this occurrence, the RBI may certify the bank's inability to pay, triggering potential winding up proceedings.

76. (D) Imprisonment up to three years and a fine
Under the Reserve Bank of India Act, providing false information in returns or omitting material facts is considered a serious offence. The law prescribes a maximum punishment that includes imprisonment for a term that may extend to three years. Additionally, the offender is liable to pay a fine, ensuring that individuals and institutions maintain accuracy and honesty in their regulatory reporting.

77. (C) A metropolitan magistrate or judicial first class
When the Reserve Bank of India initiates criminal proceedings for regulatory contraventions, the case must be heard by a specific judicial authority. Section 47 of the Banking Regulation Act stipulates that only a metropolitan magistrate or a judicial magistrate of the first class has the jurisdiction to take cognizance of these offences upon receiving a formal written complaint.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
While a bank is under a court-granted moratorium, the Reserve Bank still retains the power to apply for its winding up. This action is taken if the regulator concludes that the bank's affairs are being managed in a way that harms the interests of the depositors. Thus, protecting the interests of the depositors remains the primary justification for the regulator's intervention.

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79. (B) Only II
A banking company cannot simply resolve to wind itself up voluntarily through a board resolution. Under Section 44 of the Banking Regulation Act, voluntary winding up is strictly prohibited unless the Reserve Bank provides a written certification. This certificate must confirm that the bank possesses sufficient assets to pay all its debts in full as they accrue over time for its depositors.

80. (A) P-3, Q-4, R-2, S-1
Section 46 of the Banking Regulation Act specifies penalties for various infractions. False statements in a balance sheet can lead to three years of imprisonment and a one crore rupee fine. Refusal to produce books carries a twenty lakh rupee fine, with daily penalties for persistence. Additionally, accepting deposits against an order results in a fine twice the amount of deposits received.

CHAPTER 05
Types of Banks in India

Oct/Nov 2023

1. In a Regional Rural Bank (RRB), what is the exact percentage of issued capital held by the Central Government?
(A) 15 per cent
(B) 35 per cent
(C) 50 per cent
(D) 51 per cent

May/June 2007

2. Identify the INCORRECT statement regarding Small Finance Banks (SFBs).
(A) The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.
(B) SFBs are subjected to the requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).
(C) SFBs are required to extend 50 per cent of their Adjusted Net Bank Credit (ANBC) to sectors eligible for priority sector lending.
(D) At least 50 per cent of an SFB's loan portfolio should constitute loans and advances of up to Rs. 25 lakh.

Oct/Nov 2018

3. A "primary co-operative bank" is defined as a co-operative society that satisfies certain criteria. Which of the following is NOT one of those definitional criteria?
(A) Its primary object or principal business is the transaction of banking business.
(B) Its paid-up share capital and reserves are not less than Rs. 1 lakh.
(C) It must operate its banking business in a minimum of two contiguous districts.
(D) Its byelaws do not permit admission of any other co-operative society as a member, subject to specific exceptions.

May/June 2025

4. The mega merger of 10 public sector banks into four came into force on 1st April 2020. Which of the following matches of merged banks is INCORRECT?
(A) Oriental Bank of Commerce (OBC) and United Bank of India merged into Punjab National Bank.
(B) Syndicate Bank merged into Canara Bank.
(C) Allahabad Bank merged with Bank of Baroda.
(D) Andhra Bank and Corporation Bank merged with Union Bank of India.

Oct/Nov 2010

5. In the design of the banking system proposed by the Nachiket Mor Committee, what distinguishes the Horizontally Differentiated Banking System (HDBS) from the Vertically Differentiated Banking System (VDBS)?
(A) HDBS requires banks to specialize in single functions like payments, whereas VDBS mandates banks to focus on rural geographies.
(B) HDBS involves full-service banks differentiated by size or geography, while VDBS involves banks specializing in specific functions.
(C) HDBS restricts banks to catering only to wholesale clients, whereas VDBS limits banking activities strictly to retail customers.
(D) HDBS ensures banks are regulated primarily by SEBI, whereas VDBS places all specialized banking under the Reserve Bank of India.

May/June 2014

6. The 'fit and proper' criteria for elected directors on the boards of Public Sector Banks is most appropriately designed to ensure what?
(A) Ensuring the director represents a specific political constituency to safeguard the government's interests.
(B) Ensuring candidates have the requisite track record, integrity, and lack of conflicts with rival banks.
(C) Ensuring the director is an existing employee of the bank with at least 20 years of internal service history.
(D) Ensuring the candidate holds a majority

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stake in the bank's equity capital to align with shareholder goals.

Oct/Nov 2005

7. According to the structural classification of banks in India, how are Private Sector Banks defined?
(A) Banks exclusively incorporated under the Banking Regulation Act, 1949, with complete private shareholding.
(B) Banks where the majority stake is held by private parties, established primarily after the 1990s.
(C) Banks established by special statutes where the majority stake is held by private parties and retail investors.
(D) Banks established by the Central Government but managed entirely by private entities under a long-term lease.

May/June 2020

8. Identify the correct statement regarding the scope of activities permitted for Payments Banks.
(A) Payments banks can accept demand deposits with a maximum balance holding limit of Rs. 100,000 per individual customer as per the revised 2021 guidelines.
(B) Payments banks cannot undertake lending activities.
(C) Payments banks are permitted to issue both ATM/debit cards and credit cards.
(D) Payments banks are prohibited from acting as Banking Correspondents (BC) of another bank.

Oct/Nov 2015

9. Section 51 of the Banking Regulation Act 1949 lists the sections applicable to the State Bank of India, Nationalized Banks, and Regional Rural Banks. Which of the following sections is NOT applicable to them?
(A) Section 10
(B) Section 17
(C) Section 29 (except 3)
(D) Section 36 (1)(d)

May/June 2013

10. Regarding the management of the State Bank of India, how can the Central Government give directions on matters of policy involving public interest?
(A) Directly through executive orders issued to the Chairman of the State Bank of India after a cabinet meeting.
(B) By presenting a formal policy resolution for debate and approval through both houses of the National Parliament.
(C) Through the Reserve Bank in consultation with the Governor of the Reserve Bank and the Chairman of State Bank.
(D) By requiring a unanimous vote from the Central Board to implement specific public interest policy directions.

Oct/Nov 2021

11. Under the Banking Regulation (Amendment) Act 2020, what is the most direct operational consequence when the Reserve Bank of India imposes a moratorium on a Cooperative Bank?
(A) The bank is immediately liquidated under the Companies Act, and all staff are dismissed without severance.
(B) The bank must transfer all its deposit liabilities to the State Bank of India within a 24-hour notice period.
(C) The bank automatically converts into a Non-Banking Finance Company (NBFC) specializing in microfinance.
(D) The bank cannot grant any loans or make investments in credit instruments during the moratorium tenure.

May/June 2024

12. Under which section of the State Bank of India Act, 1955, was the State Bank of India established for taking over the undertaking of the Imperial Bank?
(A) Section 2
(B) Section 3
(C) Section 5
(D) Section 10

Oct/Nov 2008

13. Identify the INCORRECT statement concerning Nationalized Banks and their capital.
(A) The Banking Companies (Acquisition and Transfer of Undertakings) Act allows these banks to raise capital by way of public issue, but prohibits preferential allotment.
(B) At the time of nationalization, the entire paid-up capital of these banks was taken over and held by the Central Government.
(C) The Central Government is required to

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hold, at all times, not less than fifty-one per cent of the equity of these banks.
(D) No equity shareholder other than the Central Government can exercise voting rights in excess of ten per cent of the total voting rights.

May/June 2006

14. Identify the correct statement regarding the termination of services of the Chairman and Managing Directors of the State Bank of India.
(A) By the Reserve Bank of India issuing a formal directive following an internal performance review of the executive management.
(B) By the Board of Directors through a unanimous vote during a special session convened specifically for leadership transition.
(C) By the Central Government giving three months' notice or notice pay in lieu thereof, after consultation with the Reserve Bank.
(D) By the shareholders passing a special resolution at the annual general meeting with a mandatory two-thirds majority present.

Oct/Nov 2017

15. While Regional Rural Banks may transact the business of banking as defined in Section 5(b) of the Banking Regulation Act, what represents the main thrust of their business?
(A) Granting substantial loans to large infrastructure projects and multinational corporations operating in India.
(B) Issuing foreign currency convertible bonds for state governments to fund regional development initiatives.
(C) Providing exclusively digital banking products and wealth management services to non-resident Indian clients.
(D) Granting loans to small farmers, agricultural laborers, artisans, and small entrepreneurs in notified areas.

May/June 2008

16. What is the precise definition of a "Differentiated Bank"?
(A) Banks serving specific sectors or demographics with a limited range of services or under specific regulatory dispensations.
(B) Banks providing full universal banking services exclusively to rural populations while operating under standard regulations.
(C) Banks owned by the Reserve Bank of India to provide exclusive credit and funding specifically for infrastructure projects.
(D) Banks established by the government to manage national foreign exchange reserves and international trade settlements.

Oct/Nov 2013

17. Based on the RBI "Master Direction - Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019", which of the following individuals is eligible to be a board member of a Public Sector Bank?
(A) A professional without links to non-operative financial holding companies or rival banks.
(B) A Member of Parliament representing a constituency where the bank maintains its primary headquarters.
(C) A member of the state legislature holding an active position in a parliamentary committee for finance.
(D) A candidate who is currently serving as a board member or senior executive for a direct rival bank.

May/June 2015

18. After the process of amalgamation and consolidation carried out by March 2016, to what number were the Regional Rural Banks (RRBs) reduced?
(A) 10
(B) 43
(C) 56
(D) 25

Oct/Nov 2012

19. Identify the INCORRECT statement regarding Local Area Banks (LABs).
(A) The area of operation of an LAB is usually restricted to a maximum of three geographically contiguous districts.
(B) The minimum start-up capital of an LAB was expected to be Rs. 5 crore.
(C) The voting rights of an individual shareholder in an LAB are restricted to a ceiling of 10% of the total voting rights.
(D) Currently, there are 10 Local Area Banks functioning as Scheduled Banks in India.

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May/June 2011

20. Which of the following statements correctly describes the Paid-up Capital and Reserves requirement for a co-operative bank?

(A) A primary credit society has two years from the date it becomes a primary co-operative bank to meet the minimum capital requirement.

(B) A co-operative bank must maintain a minimum paid-up capital and reserves of not less than Rs. 5 lakh to continue banking operations.

(C) The Reserve Bank calculates capital and reserves based on the nominal value rather than the real and exchangeable value of assets.

(D) The decision of the Central Government shall be considered final in all disputes regarding the valuation of paid-up share capital.

Oct/Nov 2020

21. What is the most significant advantage of having Differentiated Banks as part of the financial system in India?

(A) Eliminating the need for universal banks in urban centers by replacing them with specialized digital lenders.

(B) Operating entirely outside the regulatory purview of the Reserve Bank of India to ensure rapid market expansion.

(C) Facilitating niche banking and specialization, thereby reducing the potential non-optimal use of resources.

(D) Standardizing all banking products across the country to a single uniform model for all types of customers.

May/June 2022

22. On which date did the merger of the five associate banks along with Bharatiya Mahila Bank with the State Bank of India come into effect?

(A) 15 February 2017

(B) 1 April 2017

(C) 31 March 2017

(D) 1 April 2020

Oct/Nov 2009

23. Nationalized Banks, along with the State Bank of India and Private Sector Banks, have conceptually evolved into "financial supermarkets." What does this entail?

(A) They exclusively provide consumer goods financing and retail loans at subsidized rates.

(B) They operate entirely out of large retail market complexes to serve urban customers exclusively.

(C) They act strictly as agents of the Central Government for public distribution systems.

(D) They carry on all types of financial activities either through their branches or subsidiaries.

May/June 2023

24. Section 20 of the Banking Regulation Act restricts loans and advances by co-operative banks. These restrictions do NOT apply to which of the following?

(A) Unsecured loans to any of its directors.

(B) Loans and advances on the security of its own shares.

(C) Unsecured loans to private companies where a director is interested as a guarantor.

(D) Unsecured loans made against bills for supplies or services made to the Government.

Oct/Nov 2025

25. Identify the INCORRECT statement regarding the Accounts and Audit of the State Bank of India.

(A) The State Bank has to close its books and balance accounts each year as on 31 March or such other date specified by the Central Government.

(B) Any Director or member of a local board is highly eligible and preferred to be appointed as the auditor of the State Bank.

(C) The audit may be conducted by any person duly qualified to be auditors of companies under Section 226 of the Companies Act, 1956.

(D) The appointment of auditors is done by the State Bank with the previous approval of the Reserve Bank.

May/June 2012

26. In the context of Regional Rural Banks, what defines a "Sponsor Bank"?

(A) A bank that holds 50 per cent of the issued capital of the RRB and manages its day-to-day operations.

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(B) A bank that holds 15 per cent of the issued capital of the RRB and provides exclusive regulatory oversight.
(C) A bank appointed by the Central Government to hold 100 per cent of the RRB's capital temporarily.
(D) A bank by which a regional rural bank is sponsored and it holds 35 per cent of the issued capital of the RRB.

Oct/Nov 2014

27. What was the most appropriate reason for the establishment of Local Area Banks (LABs) in the private sector in 1996?
(A) To bridge credit gaps and enhance the institutional credit framework in rural and semi-urban areas.
(B) To manage foreign exchange reserves and facilitate international trade transactions for rural customers.
(C) To function exclusively as wholesale banks for large agro-industrial corporations and global exporters.
(D) To replace the Regional Rural Banks entirely across the country through a phased privatization model.

May/June 2019

28. What was the conceptual realization that led to the formation of Regional Rural Banks (RRBs) in 1975?
(A) The realization that the ethos of existing public sector banks was not fully conducive to meeting rural credit needs.
(B) The realization that existing public sector banks were facing capital inadequacies and required regional subsidiaries.
(C) The realization that private sector banks were entirely ignoring urban micro-enterprises and small-scale industries.
(D) The realization that co-operative banks required a new apex regulatory structure to be managed at the district level.

Oct/Nov 2006

29. The Banking Regulation Act mandates that no co-operative society other than a co-operative bank is permitted to use the words 'bank', 'banker', or 'banking'. Which of the following is NOT exempt from this provision?
(A) A primary credit society
(B) A co-operative society formed for the protection of the mutual interest of co-operative banks
(C) A primary agricultural credit society undertaking inter-state trading of goods
(D) A co-operative society other than a primary credit society formed by employees of a Nationalised bank

May/June 2021

30. Identify the correct statement regarding the management of the affairs of a Regional Rural Bank (RRB).
(A) The Chairman is appointed by the Central Government from among the officers of the Reserve Bank of India.
(B) A person adjudged insolvent can continue as a director if approved by the sponsor bank.
(C) The board is empowered to make regulations without any consultation with the sponsor bank.
(D) Absence from three meetings consecutively without leave of the board results in vacation of office for a director.

Oct/Nov 2022

31. Match the prudential guideline parameter for Payments Banks in List-I with its prescribed percentage in List-II.
List I: (Prudential Guideline Parameter)
P. Minimum Capital Requirement
Q. Common Equity Tier 1
R. Additional Tier I
S. Minimum Tier I capital
List II: (Prescribed Percentage)
1. 1.5%
2. 6%
3. 7.5%
4. 15%
(A) P-4, Q-2, R-1, S-3
(B) P-4, Q-1, R-2, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-3, R-4, S-1

May/June 2018

32. Consider the following statements regarding the licensing of Co-operative Banks:
I. Every co-operative society requires a licence from the Reserve Bank under Section 22 of the Banking Regulation Act to carry on banking business in India.
II. Primary credit societies are exempt from the

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requirement of obtaining a banking licence.
III. A primary co-operative society which becomes a primary co-operative bank has to apply for a licence within three years from the date it becomes a primary co-operative bank.

Which combination of statements is correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

Oct/Nov 2016

33. Match the type of bank in List-I with its primary governing statute or incorporation mechanism in List-II.

List I: (Type of Bank)
P. State Bank of India
Q. Old Private Sector Banks
R. Regional Rural Banks
S. Co-operative Banks (functioning in one state)

List II: (Governing Statute or Mechanism)
1. State laws governing co-operative societies
2. Regional Rural Banks Act, 1976
3. State Bank of India Act, 1955
4. Companies Act 1956/2013

(A) P-3, Q-4, R-2, S-1
(B) P-3, Q-2, R-4, S-1
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-4, R-3, S-1

May/June 2010

34. Consider the following statements regarding the On-Tap Licensing Policy of the Reserve Bank of India for Small Finance Banks (SFBs) released in December 2019:
I. The licensing window is open on-tap.
II. The minimum paid-up voting equity capital / net worth requirement is Rs. 200 crore.
III. For Urban Co-operative Banks (UCBs) transiting into SFBs, the initial net worth requirement is Rs. 100 crore, to be increased to Rs. 200 crore within five years.
IV. Payments Banks can apply for conversion into SFB after five years of operations.

Which combination of statements is correct?
(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, III, and IV

Oct/Nov 2007

35. Consider the following statements regarding the State Bank of India:
I. No shareholder other than the Government of India can exercise voting rights above ten per cent, unless specified by the Central Government.
II. The Central Government holds a 50% stake in the issued capital of the State Bank of India, while the Reserve Bank of India holds the remaining 50%.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2017

36. According to Section 13D of the DICGC Act, the Reserve Bank may require the winding up of a co-operative bank in which of the following circumstances?
I. It has failed to comply with minimum paid-up capital and reserves under Section 11.
II. It has become disentitled to carry on banking business under Section 22.
III. It has been prohibited from receiving fresh deposits by an order under Section 35(4).
IV. It is unable to pay its debts.
V. Its continuance is considered highly profitable but politically unfavourable.

Which combination of circumstances is correct?
(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, III, IV, and V
(D) I, II, III, IV, and V

Oct/Nov 2011

37. Arrange the following legislative acts and ordinances related to the banking sector in the chronological order of their initial enactment/ promulgation:
I. State Bank of India Act
II. Regional Rural Banks Ordinance
III. Banking Companies (Acquisition and Transfer of Undertakings) Act
IV. Deposit Insurance and Credit Guarantee Corporation Act
(A) I, IV, III, II
(B) I, III, IV, II
(C) III, I, IV, II
(D) IV, I, II, III

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May/June 2005

38. Consider the following statements regarding the business of the State Bank of India:

I. The State Bank shall act as an agent of the Reserve Bank at places where it has a branch and where the Reserve Bank has no branch, for transacting Government business.

II. If an agreement on terms and conditions is not reached between the Reserve Bank and the State Bank, the terms shall be decided by the Parliament.

III. The State Bank is permitted to acquire the business of other banks with the sanction of the Central Government.

Which combination of statements is correct?

(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

Oct/Nov 2024

39. Consider the following statements about Regional Rural Banks (RRBs):

I. Every RRB has to close and balance its accounts as on 31 March or such other date as the Central Government may specify.

II. A person adjudged insolvent is disqualified to be a director of an RRB.

III. The auditor of an RRB is appointed exclusively by the sponsor bank without any external approval.

IV. The sponsor bank monitors the progress of RRBs through inspection, internal audit, and scrutiny.

Which combination of statements is correct?

(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

May/June 2016

40. Which of the following pairs concerning the definitions of co-operative banks under the Banking Regulation Act is correctly matched?

(A) State co-operative bank – The principal society in a district with the primary objective of funding other regional societies.
(B) Central co-operative bank – The principal society in a state with the primary objective of financing other member societies.
(C) Primary credit society – A co-operative society with a minimum paid-up capital requirement of at least Rs. 5 lakh for operations.
(D) Primary co-operative bank – A society whose primary business is banking with capital and reserves of at least Rs. 1 lakh.

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Oct/Nov 2019

41. Regarding the norms and functions of Local Area Banks (LABs) established after 1996, consider the following statements:

I. Their area of operation is usually restricted to a maximum of three geographically contiguous districts.

II. The minimum start-up capital was set at Rs. 5 crore with promoters bringing in the entire amount up-front.

III. NRI contributions to the equity were capped at 40% with a lock-in of 3 years.

IV. They are registered as a public limited company, partnership firm, or LLP.

V. They are granted permission to open a branch in a single urban center in each district, with remaining branches in rural/ semi-urban centers.

Which combination of statements is correct?

(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, II, III, and V
(D) I, II, III, IV, and V

May/June 2009

42. Match the merging banks in List-I with the anchor bank they were merged into in List-II (Mega Merger effective 1st April 2020).

List I: (Merging Banks)

P. Syndicate Bank
Q. Allahabad Bank
R. Andhra Bank and Corporation Bank
S. Vijaya Bank and Dena Bank

List II: (Anchor Bank)

1. Indian Bank
2. Canara Bank
3. Bank of Baroda
4. Union Bank of India

(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-1, S-3

Oct/Nov 2023

43. In the context of the disinvestment of shares by the Government in public sector banks, consider the following statements:

I. The State Bank of India (Amendment) Act, 1993, modified Section 4 to divide capital into shares of Rs. 10 each instead of Rs. 100.
II. For nationalized banks, Section 3 was amended to provide for transferability of shares, other than those held by the Government.
III. The restriction on voting rights for shareholders of nationalized banks was completely abolished to encourage foreign investment.

Which combination of statements is correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

May/June 2007

44. Consider the following statements regarding the amalgamation of Regional Rural Banks (RRBs):

I. Two or more RRBs may be amalgamated by the Reserve Bank of India by notification in the official gazette.
II. The notification of amalgamation provides for the continuation of service of employees and is binding on the banks concerned.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2018

45. The mega merger of 10 public sector banks into four in 2020 was driven by several factors to create stronger global-sized lenders. Consider the following driving factors:

I. The low level of capital, leading to frequent requests for capitalization.
II. The high level of NPAs prevailing.
III. The poor profitability for the entire sector.
IV. The low growth rate for the entire sector.
V. The aggressive expansion of foreign banks in rural sectors.

Which combination of factors correctly identifies the reasons for these mergers?
(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, III, IV, and V
(D) I, II, III, IV, and V

May/June 2025

46. Arrange the establishment of the following Private Sector Banks in chronological order from earliest to latest:

I. HDFC Bank
II. City Union Bank
III. Bandhan Bank
IV. Federal Bank
(A) II, IV, I, III
(B) IV, II, III, I
(C) II, I, IV, III
(D) IV, I, II, III

Oct/Nov 2010

47. A co-operative bank may have its registration with DICGC cancelled under which of the following conditions?

I. It is prohibited from accepting deposits.
II. Its licence is cancelled.
III. It has converted into a non-banking co-operative society.
IV. It has transferred its deposit liabilities to another institute.

Which combination of statements is correct?
(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

May/June 2014

48. Which of the following pairs of Private Sector Bank and its Year of Establishment is correctly matched?
(A) Axis Bank – 2015
(B) South Indian Bank – 1929
(C) RBL Bank – 1922
(D) Nainital Bank – 1943

Oct/Nov 2005

49. Consider the following statements regarding entities eligible to set up a Small Finance Bank (SFB):

I. Resident individuals/professionals with 10 years of experience in banking and finance.
II. Existing Non-Banking Finance Companies (NBFCs) owned and controlled by residents.
III. Existing Local Area Banks (LABs) owned and controlled by residents.

Which combination of statements is correct?

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(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

May/June 2020

50. Consider the following statements regarding Payments Banks:
I. They are required to invest a minimum of 75 per cent of their demand deposit balances in SLR-eligible Government securities/ treasury bills with maturity up to one year.
II. They can hold a maximum of 25 per cent in current and time/fixed deposits with other scheduled commercial banks.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2015

51. The Nachiket Mor Committee's recommendations highlighted several advantages of having Differentiated Banks. Consider the following cited advantages:
I. Encouraging niche banking facilitates specialization, reducing potential non-optimal use of resources.
II. Specialized entities are better suited for risk assessment and structuring of infrastructure finance.
III. Differentiated banks are well-suited to handle very low ticket unsecured credit due to specialized risk management models.
IV. Risk management systems and regulatory compliance structures can be customized for them.
V. Core competency can be better harnessed, leading to reduced intermediation cost.
Which combination of statements is correct?
(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, III, IV, and V
(D) I, II, III, IV, and V

May/June 2013

52. Match the Private Sector Bank in List-I with its Headquarter in List-II.
List I: (Private Sector Bank)
P. CSB Bank
Q. City Union Bank
R. Federal Bank
S. Tamilnad Mercantile Bank
List II: (Headquarter)
1. Aluva, Kochi
2. Thrissur, Kerala
3. Tuticorin, Tamilnadu
4. Kumbakonam, Tamil Nadu
(A) P-2, Q-4, R-1, S-3
(B) P-4, Q-1, R-3, S-2
(C) P-1, Q-2, R-4, S-3
(D) P-2, Q-3, R-1, S-4

NODIA

Oct/Nov 2021

53. Which of the following pairs regarding existing Local Area Banks (LABs) is INCORRECTLY matched?
(A) Coastal Local Area Bank Ltd – Head office located at Vijayawada in Andhra Pradesh
(B) Coastal Local Area Bank Ltd – Established on 27th December 1999
(C) Krishna Bhima Samruddhi Local Area Bank Ltd – Area of operation includes contiguous districts in Maharashtra and Gujarat
(D) Krishna Bhima Samruddhi Local Area Bank Ltd – Head office located at Mahbubnagar (Andhra Pradesh)

May/June 2024

54. Section 20 of the Banking Regulation Act lays down certain restrictions on loans and advances by co-operative banks. Consider the following prohibited actions:
I. On the security of its own shares.
II. Unsecured loans or advances to any of its directors.
III. Unsecured loans to any company in which the chairman of the co-operative bank is interested as managing agent.
IV. Unsecured loans against trust receipts furnished to the co-operative bank within approved limits.
Which combination of statements represents actions prohibited for a co-operative bank?
(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

Oct/Nov 2008

55. The Central Government has framed two schemes under Section 9 of the Banking Companies (Acquisition and Transfer of

Undertakings) Act, 1970/1980. Consider the following features regarding these schemes:

I. Constitution of board of directors and appointment of chairman and managing director.
II. Disqualifications of directors and vacation of office.
III. Complete privatization procedures for the nationalized banks.

Which combination of statements is correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2006

56. Match the Section of the Banking Regulation Act applicable to Public Sector Banks in List-I with its corresponding subject matter in List-II.
List I: (Section of the Banking Regulation Act)
P. Section 10
Q. Section 17
R. Section 29 (except 3)
S. Section 35A
List II: (Subject Matter)
1. Accounts and balance-sheet
2. Prohibition of employment of Managing Agents
3. Power of the Reserve Bank to give directions
4. Reserve Fund
(A) P-2, Q-4, R-1, S-3
(B) P-4, Q-2, R-3, S-1
(C) P-1, Q-3, R-4, S-2
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2017

57. Section 51 of the Banking Regulation Act 1949 lists sections applicable to Public Sector Banks. Consider the following matches of Sections and their provisions:

I. Section 10: Prohibition of employment of Managing Agents.
II. Section 17: Reserve Fund.
III. Section 31: Submission of returns.
IV. Section 35A: Power of the Reserve Bank to give directions.
V. Section 50: Claims for compensation for losses incurred on account of operation of certain provisions barred.

Which combination of matches is correct?
(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, III, IV, and V
(D) I, II, III, IV, and V

May/June 2008

58. Which of the following pairs of Banking Regulation Act sections and their particulars (applicable to Public Sector Banks) is INCORRECTLY matched?
(A) Section 35 – Power of the Reserve Bank to issue directions in respect of stressed assets
(B) Section 13-15 – Restriction on commission, brokerage, discount, etc. on sale of shares
(C) Section 31 – Submission of returns
(D) Section 52 – Power of Central Government to make rules

Oct/Nov 2013

59. Consider the following statements regarding the composition of the Board of the State Bank of India:

I. The Board consists of a Chairman and not more than four Managing Directors appointed by the Central Government.
II. Directors are nominated to represent workmen and officers.
III. A director is nominated by the Central Government in consultation with the Reserve Bank from among persons with special knowledge of co-operatives and rural economy.
IV. The Chairman and Managing Directors are appointed for a period not exceeding ten years.

Which combination of statements is correct?
(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

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May/June 2015

60. Consider the following statements regarding the directors of Nationalized Banks:

I. The Board includes one chartered accountant with not less than fifteen years' experience nominated in consultation with the Reserve Bank.
II. The maximum number of whole-time directors (Executive Directors) was increased from 3 to 4 by the Government of India in August 2019.

Which of the above statement(s) is/are correct?
(A) Only I

(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2012

61. Based on the regulatory framework for the State Bank of India, whose previous approval must the bank obtain for the appointment of a statutory auditor?
(A) The Central Government
(B) The Parliament of India
(C) The Reserve Bank of India
(D) The Comptroller and Auditor General of India

May/June 2011

62. For an entity transitioning into a Small Finance Bank (SFB), does a plan to focus the loan portfolio entirely on large corporate infrastructure loans align with the operational requirements of an SFB?
(A) No, at least 50 per cent of an SFB's loan portfolio should constitute loans and advances of up to Rs. 25 lakh.
(B) Yes, SFBs have no restrictions on loan portfolio composition as long as they meet the priority sector targets.
(C) Yes, provided they maintain a higher CRR and report all large corporate exposures to the RBI on a weekly basis.
(D) No, SFBs are completely prohibited from lending to any corporate entity to focus exclusively on retail micro-loans.

Oct/Nov 2020

63. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer using the options given below.
Assertion (A): At the time of nationalization, the entire paid-up capital of the nationalized banks was held by the Central Government, but they are now strictly prohibited from raising capital through public issues.
Reason (R): The Central Government is required to hold, at all times, not less than fifty-one per cent of the equity of nationalized banks.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2022

64. Read the following scenario and answer the question:
A scheduled state co-operative bank is calculating its liquid assets under Section 24(1) of the Banking Regulation Act. Which of the following balances maintained by this bank will be accounted for in the calculation?
(A) Balances in a current account with the RBI, including balances required under Section 42 of the RBI Act.
(B) Only balances maintained in a current account with the Reserve Bank during the specific reporting fortnight.
(C) Only balances maintained with other non-scheduled primary co-operative banks operating in the same district.
(D) Balances maintained with the Central Government treasury exclusively for the purpose of meeting SLR norms.

Oct/Nov 2009

65. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer using the options given below.
Assertion (A): In the State Bank of India, no shareholder other than the Government of India can exercise voting rights above ten per cent, unless otherwise specified.
Reason (R): The complete holding of the Reserve Bank of India in the State Bank of India was acquired by the central government.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2023

66. According to the prudential guidelines for Payments Banks, is a proposed leverage ratio

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where outside liabilities are 40 times the net worth compliant with regulatory limits?

(A) Yes, a leverage ratio of 40 times is well within the allowed 50 times limit.

(B) Yes, as long as the outside liabilities do not exceed 100 times the net worth.

(C) No, the outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).

(D) No, payments banks are not allowed to have any outside liabilities.

Oct/Nov 2025

67. Read the following scenario and answer the question:

A Nationalized Bank is undergoing a board reconstitution. Ms. Gupta, a candidate for an elected director position, currently holds a board position in a rival commercial bank. Can Ms. Gupta be considered for election as a director by the shareholders based on the 'fit and proper' criteria?

(A) Yes, holding a position in a rival bank provides her with valuable competitive insights.

(B) Yes, as long as she declares her association in the undertaking.

(C) No, because candidates cannot be a board member of rival banks.

(D) No, because only the Central Government can appoint a chartered accountant.

May/June 2012

68. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer using the options given below.

Assertion (A): Local Area Banks (LABs) have largely lost their significance in the Indian banking system.

Reason (R): The Reserve Bank of India opened up avenues for certain Differentiated Banks, such as Small Finance Banks, which possess decided advantages over LABs.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2014

69. Read the following scenario and answer the question:

An existing Primary (Urban) Co-operative Bank (UCB) with a net worth of Rs. 120 crore wishes to voluntarily transit into a Small Finance Bank (SFB) under the On-Tap Licensing Policy. Is the UCB's current net worth sufficient to transit?

(A) No, the initial net worth must be at least Rs. 200 crore on the day of transition according to 2019 norms.

(B) No, the initial net worth must be at least Rs. 500 crore to ensure financial stability during the transition.

(C) Yes, the initial requirement is Rs. 100 crore, to be increased to Rs. 200 crore within five years of starting.

(D) Yes, UCBs are entirely exempt from any minimum net worth requirements when transiting to the SFB category.

May/June 2019

70. If the Reserve Bank of India imposes a moratorium on a scheduled state co-operative bank under the Banking Regulation Act, what immediate restriction applies to the bank's lending and investment activities?

(A) The bank can only grant loans up to Rs. 1 lakh per customer provided the borrower is a primary society member.

(B) The bank must double its investments in government securities within the first week of the moratorium period.

(C) The bank cannot grant any loans or make investments in credit instruments during the tenure of the moratorium.

(D) The bank can continue lending but only to primary agricultural credit societies for seasonal crop requirements.

Oct/Nov 2006

71. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer using the options given below.

Assertion (A): A Regional Rural Bank (RRB) is generally allotted a compact area of operation comprising a few districts.

Reason (R): Limiting the area of operation

ensures that the RRB operates within districts having homogeneous agro-climatic conditions and a rural clientele.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2021

72. Once the State Bank of India sends its balance sheet and auditor's report to the Central Government and the Reserve Bank, within what timeframe must the annual general meeting be held?

(A) Within two months
(B) Within three months
(C) Within six weeks
(D) Within four weeks

Oct/Nov 2022

73. According to the On-Tap Licensing Policy for Small Finance Banks (SFBs), what is the mandate regarding the grant of scheduled bank status upon commencement of operations?

(A) SFBs must operate for a minimum of 5 years before applying for scheduled bank status.
(B) SFBs will be given scheduled bank status immediately upon commencement of operations.
(C) SFBs are inherently non-scheduled banks and cannot acquire scheduled status.
(D) Scheduled bank status is granted only after achieving a net worth of Rs. 500 crore.

May/June 2018

74. Read the following scenario and answer the question:

A large corporate supermarket chain, FreshMart, decides to apply for a Payments Bank licence with a proposed initial paid-up equity capital of Rs. 80 crore. Is FreshMart's proposed capital compliant with the Reserve Bank of India's guidelines for Payments Banks?

(A) Yes, the minimum requirement is Rs. 50 crore.
(B) Yes, corporate supermarket chains have a reduced requirement of Rs. 80 crore.
(C) No, the minimum paid-up equity capital for payments banks shall be Rs. 100 crore.
(D) No, the minimum paid-up equity capital requirement is Rs. 200 crore.

Oct/Nov 2016

75. Read the following scenario and answer the question:

The State Bank of India (SBI) closes its books and balance accounts as on 31 March of a financial year. Mr. Sharma, an existing member of a local board of SBI, proposes his own proprietary chartered accountancy firm to be the statutory auditor for this year. Based on the provisions for Accounts and Audit of the State Bank, is Mr. Sharma's firm eligible to be appointed as the auditor?

(A) No, because no Director, member of a local board, local committee, or an officer of the bank shall be the auditor.
(B) Yes, because a local board member has an intimate understanding of the bank's internal operations and protocols.
(C) Yes, provided his firm is registered under Section 226 of the Companies Act, 1956 and meets all tax requirements.
(D) No, because only auditors nominated directly by the Comptroller and Auditor General of India can audit SBI records.

May/June 2010

76. Depending on the public shareholding percentage, what is the maximum number of directors that the shareholders (other than the Central Government) can elect to the board of a nationalized bank?

(A) Two directors
(B) Three directors
(C) Four directors
(D) Six directors

Oct/Nov 2007

77. Under the regulatory framework for Payments Banks, is a plan to use 50% of demand deposit balances to issue small, unsecured personal loans and invest the rest in mutual funds considered compliant?

(A) It is perfectly compliant as Payments Banks are encouraged to issue small unsecured loans to retail customers.
(B) It is compliant provided the personal loans are restricted to a maximum of Rs. 25,000 per individual customer.

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(C) It is non-compliant as they cannot lend and must invest 75% of demand deposits in SLR-eligible securities.
(D) It is non-compliant solely because mutual funds are not permitted; the lending aspect is inherently legal.

May/June 2017

78. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer using the options given below.
Assertion (A): Payments Banks are permitted to issue ATM/debit cards but are strictly prohibited from issuing credit cards.
Reason (R): Payments Banks cannot undertake lending activities, and issuing credit cards constitutes a form of lending.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2011

79. In the context of Nationalized Banks, what is the statutory requirement regarding the minimum experience of a chartered accountant nominated by the Central Government to the board of directors?
(A) A minimum of 5 years of experience is sufficient.
(B) The nominated chartered accountant must have not less than fifteen years' experience.
(C) The Central Government has discretionary power to waive experience requirements.
(D) Chartered accountants cannot be nominated by the Central Government; they must be elected.

May/June 2005

80. Under the Banking Regulation Act, within how many working days of a lawful demand refusal must the Reserve Bank of India certify that a co-operative bank is unable to pay its debts?
(A) Within two working days at an office/ branch, or five working days if made elsewhere.
(B) Within five working days at an office/ branch, or ten working days if made elsewhere.
(C) Within one working day regardless of the location.
(D) Within seven working days at an office/ branch.

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ANSWERS

1. (C) 50 per cent
Regional Rural Banks were established to cater to rural credit needs. The shareholding pattern is fixed by law. The Central Government holds 50 per cent, the state government holds 15 per cent, and the sponsor bank holds the remaining 35 per cent. This structure ensures coordinated development and financial support from multiple governmental levels across the country.

2. (C) SFBs are required to extend 50 per cent of their Adjusted Net Bank Credit (ANBC) to sectors eligible for priority sector lending.
Small Finance Banks operate under specific regulatory guidelines to promote financial inclusion. They are required to extend 75 per cent of their Adjusted Net Bank Credit to sectors eligible for priority sector lending, not just 50 per cent. This high target ensures that credit reaches underserved segments like small farmers, micro-industries, and unorganized entities in India.

3. (C) It must operate its banking business in a minimum of two contiguous districts.
A primary co-operative bank is defined under the Banking Regulation Act based on specific criteria. These include having banking as its primary business and maintaining a minimum paid-up share capital and reserves of one lakh rupees. Its byelaws must also restrict membership. Operating in multiple contiguous districts is not a requirement for its definition as a primary bank.

4. (C) Allahabad Bank merged with Bank of Baroda.
The mega-merger of public sector banks effective from April 2020 restructured the banking landscape in India. Under this plan, Allahabad Bank was actually merged into Indian Bank, while Bank of Baroda had previously merged with Vijaya Bank and Dena Bank in 2019. These consolidations aimed to create stronger, global-sized lenders with better capital efficiency and risk management.

5. (B) HDBS involves full-service banks differentiated by size or geography, while VDBS involves banks specializing in specific functions.
The Nachiket Mor Committee proposed a dual design for the banking system. The Horizontally Differentiated Banking System focuses on full-service banks that differ by their size or geographic reach. Conversely, the Vertically Differentiated Banking System consists of banks that specialize in specific functional parts of the value chain, such as payments, credit delivery, or specialized investment activities.

6. (B) Ensuring candidates have the requisite track record, integrity, and lack of conflicts with rival banks.
The Reserve Bank of India mandates strict fit and proper criteria for elected directors on the boards of public sector banks. This framework ensures that board members possess the necessary professional experience, integrity, and clean track record. It also prevents potential conflicts of interest, such as board members holding positions in competing banks, thereby maintaining high governance standards.

7. (B) Banks where the majority stake is held by private parties, established primarily after the 1990s.
Private sector banks are commercial banks where the majority of equity is held by private individuals and institutional investors rather than the government. While some existed before nationalization, many new-generation private banks were established following the liberalization of the 1990s. They operate as companies under the Companies Act and are strictly regulated by the Reserve Bank of India.

8. (B) Payments banks cannot undertake lending activities.
Payments banks are specialized financial institutions designed to promote digital transactions and financial inclusion. While they can accept demand deposits up to a specified limit and provide remittance services, they are strictly prohibited from undertaking any lending

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activities or issuing credit cards. This restriction minimizes credit risk, as they primarily invest their deposit balances in safe government securities.

9. (D) Section 36 (1)(d)
Section 51 of the Banking Regulation Act, 1949, specifies which provisions of the Act apply to the State Bank of India and other nationalized banks. While sections concerning management, reserve funds, and accounts are generally applicable, Section 36(1)(d), which pertains to specific powers of the Reserve Bank to appoint additional directors or observers, is excluded from these institutions.

10. (C) Through the Reserve Bank in consultation with the Governor of the Reserve Bank and the Chairman of State Bank.
The Central Government holds the authority to issue directions to the State Bank of India on matters of policy involving public interest. These directions are not issued directly but are channeled through the Reserve Bank of India. The process requires prior consultation with the Governor of the Reserve Bank and the Chairman of the State Bank of India.

11. (D) The bank cannot grant any loans or make investments in credit instruments during the moratorium tenure.
When the Reserve Bank of India imposes a moratorium on a cooperative bank under the Banking Regulation Act, it suspends normal operations to protect depositor interests. During this period, the bank is legally prohibited from granting any new loans or advances. Additionally, it cannot make fresh investments in credit instruments, effectively freezing its credit-related activities until the moratorium is lifted.

12. (B) Section 3
The State Bank of India was established under the State Bank of India Act, 1955. Specifically, Section 3 of this Act provides for the creation of the bank to take over the undertaking of the Imperial Bank of India. This transition was a landmark event in Indian banking, creating a statutory body to fulfill social and commercial banking objectives.

13. (A) The Banking Companies (Acquisition and Transfer of Undertakings) Act allows these banks to raise capital by way of public issue, but prohibits preferential allotment.
Nationalized banks are governed by the Banking Companies (Acquisition and Transfer of Undertakings) Act. While the Central Government must maintain at least fifty-one per cent equity, these banks are permitted to raise capital through various methods, including public issues, rights issues, and preferential allotments. The restriction on voting rights ensures that no individual shareholder other than the government dominates the management.

14. (C) By the Central Government giving three months' notice or notice pay in lieu thereof, after consultation with the Reserve Bank.
The leadership of the State Bank of India, including the Chairman and Managing Directors, is appointed by the Central Government. Consequently, the government also holds the power to terminate their services before the expiry of their term. This requires providing three months' notice or equivalent pay, following a formal consultation process with the Reserve Bank of India.

15. (D) Granting loans to small farmers, agricultural laborers, artisans, and small entrepreneurs in notified areas.
Regional Rural Banks were specifically designed to combine the professional expertise of commercial banks with a deep local rural focus. Their primary objective is to develop the rural economy by providing credit and other facilities. They focus on providing financial support to small and marginal farmers, agricultural laborers, artisans, and small entrepreneurs within their designated local operational areas.

16. (A) Banks serving specific sectors or demographics with a limited range of services or under specific regulatory dispensations.
Differentiated banks are financial institutions that specialize in particular banking activities or target specific customer segments. Unlike universal banks that offer a full range of services, these banks, such as Payments Banks or Small Finance Banks, operate under specific licenses with restricted scopes. This allows them to focus

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on niche markets like small credit or high-volume low-value payments.

17. (A) A professional without links to non-operative financial holding companies or rival banks.
To maintain independence and avoid conflicts of interest, the 'fit and proper' criteria for public sector bank boards prohibit certain associations. Individuals serving as board members of rival banks or holding positions in non-operative financial holding companies are ineligible. Therefore, a professional with no such conflicting ties and possessing the requisite expertise is eligible for election by the shareholders.

18. (C) 56
The structure of Regional Rural Banks has undergone significant consolidation to improve their financial health and operational efficiency. Through a phased process of amalgamation and restructuring initiated by the government, the number of RRBs was systematically reduced. By March 2016, the total count of these institutions across India was brought down to fifty-six from a much higher initial number.

19. (D) Currently, there are 10 Local Area Banks functioning as Scheduled Banks in India.
Local Area Banks were introduced in 1996 to mobilize rural savings and provide local credit. While several were initially licensed, their numbers have significantly dwindled due to conversions and closures. Currently, only a few such banks remain operational, and they are generally non-scheduled banks. The statement claiming that ten of them are currently functioning as scheduled banks is incorrect.

20. (A) A primary credit society has two years from the date it becomes a primary co-operative bank to meet the minimum capital requirement.
Under the Banking Regulation Act, primary credit societies that transition into primary co-operative banks are granted a specific grace period. They have two years from the date of transformation to comply with the mandatory minimum paid-up capital and reserves requirement. This allows smaller societies time to build their capital base while continuing to provide essential banking services to members.

21. (C) Facilitating niche banking and specialization, thereby reducing the potential non-optimal use of resources.
Differentiated banks offer a significant advantage by focusing on specialized sectors that may be overlooked by large universal banks. By concentrating on niche areas like micro-payments or small-ticket credit, these institutions can tailor their risk management and technology. This specialization leads to more efficient resource allocation and helps bridge specific gaps in the financial needs of diverse population segments.

22. (B) 1 April 2017
A major consolidation in the Indian public sector banking space occurred when the five associate banks of the State Bank of India, along with the Bharatiya Mahila Bank, were merged with the parent bank. This historic amalgamation, aimed at creating a global-scale financial entity and streamlining operations, officially came into effect on 1st April 2017 for all entities.

23. (D) They carry on all types of financial activities either through their branches or subsidiaries.
Modern banks in India have evolved into financial supermarkets by expanding their services beyond traditional deposit-taking and lending. They offer a comprehensive suite of products, including insurance, mutual funds, wealth management, and investment banking. These activities are carried out through their extensive branch networks or specialized subsidiaries, providing customers with a one-stop solution for all their diverse financial requirements.

24. (D) Unsecured loans made against bills for supplies or services made to the Government.
Section 20 of the Banking Regulation Act imposes strict limits on the types of loans co-operative banks can extend, particularly to their directors. However, certain exemptions exist to facilitate commercial operations involving the state. Specifically, unsecured loans granted against bills for supplies or services rendered to the Government are not subject to the general restrictions placed on other unsecured advances.

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25. (B) Any Director or member of a local board is highly eligible and preferred to be appointed as the auditor of the State Bank.
The statutory audit process for the State Bank of India is governed by strict independence rules. To ensure transparency and prevent conflicts of interest, no director or member of a local board or committee is permitted to serve as the bank's auditor. Auditors must be qualified professionals under the Companies Act and require prior approval from the Reserve Bank.

26. (D) A bank by which a regional rural bank is sponsored and it holds 35 per cent of the issued capital of the RRB.
A sponsor bank plays a critical role in the functioning of a Regional Rural Bank. By law, the sponsor bank is required to hold exactly 35 per cent of the issued capital of the RRB. Beyond financial participation, it provides managerial and training assistance, helping the RRB meet the credit needs of the rural population in its designated area.

27. (A) To bridge credit gaps and enhance the institutional credit framework in rural and semi-urban areas.
Local Area Banks were established in the private sector in 1996 as a niche banking model. The primary intent was to create local institutions that could effectively mobilize rural savings and channel them into local investments. They were designed to bridge credit gaps in rural and semi-urban areas where large commercial banks might have limited penetration or understanding.

28. (A) The realization that the ethos of existing public sector banks was not fully conducive to meeting rural credit needs.
The establishment of Regional Rural Banks in 1975 was driven by the observation that commercial and cooperative banks faced limitations in serving the rural masses. While commercial banks lacked a local feel, cooperatives were often hindered by organizational issues. RRBs were created to combine the professional management of commercial banks with the local familiarity and low-cost profile of cooperatives.

29. (C) A primary agricultural credit society undertaking inter-state trading of goods.
The Banking Regulation Act restricts the use of the word 'bank' to institutions authorized to conduct banking business. While primary credit societies and certain employee-based societies are exempted under specific conditions, a primary agricultural credit society is strictly meant for local agricultural credit. Undertaking inter-state trading does not grant it the right to use banking terminology or bypass restrictions.

30. (D) Absence from three meetings consecutively without leave of the board results in vacation of office for a director.
Management of Regional Rural Banks is governed by the RRB Act. The Board of Directors must ensure consistent participation in decision-making. If a director remains absent from three consecutive meetings without obtaining prior leave from the Board, their office is automatically vacated. This provision ensures that the governing body remains active and accountable in overseeing the bank's local operations.

31. (A) P-4, Q-2, R-1, S-3
Payments Banks must adhere to specific prudential capital guidelines. They are required to maintain a minimum total capital of 15 per cent of their risk-weighted assets. Within this, the Common Equity Tier 1 capital must be at least 6 per cent, while the overall Tier 1 capital requirement is 7.5 per cent. Additionally, Additional Tier I capital is capped at 1.5 per cent.

32. (A) I and II
Under Section 22 of the Banking Regulation Act, every co-operative society must obtain a license from the Reserve Bank to conduct banking business in India. However, primary credit societies are specifically exempt from this licensing requirement as they do not qualify as banks. The timeframe for other societies becoming banks to apply for a license is three months, not three years.

33. (A) P-3, Q-4, R-2, S-1
Indian banks are governed by diverse legislative frameworks. The State Bank of India operates under its own 1955 Act. Old private sector banks are incorporated under the Companies Act. Regional Rural Banks are established via the RRB

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Act of 1976. Co-operative banks that operate within a single state are primarily registered and regulated under the respective state-specific co-operative societies laws.

34. (D) I, II, III, and IV
The 2019 On-Tap Licensing Policy for Small Finance Banks significantly updated the entry requirements. It keeps the licensing window open continuously. The minimum paid-up voting equity capital is set at Rs. 200 crore. Urban Co-operative Banks transitioning to SFBs can start with Rs. 100 crore, and Payments Banks are eligible to apply for conversion after five years of operations.

35. (A) Only I
In the State Bank of India, voting rights for shareholders other than the Central Government are restricted to a maximum of ten per cent, unless the government specifies otherwise. The statement regarding shareholding is incorrect because the Reserve Bank of India no longer holds shares in SBI; the Central Government acquired the entire stake from the RBI to avoid regulatory conflicts.

36. (A) I, II, III, and IV
The Reserve Bank can direct the winding up of a co-operative bank under the DICGC Act for various failures. These include non-compliance with capital and reserve requirements, loss of the right to conduct banking business, or being prohibited from accepting deposits. Inability to pay debts is also a primary ground. Political favorability is not a legal criterion for such actions.

37. (A) I, IV, III, II
The legislative history of Indian banking began with the State Bank of India Act in 1955. This was followed by the Deposit Insurance and Credit Guarantee Corporation Act in 1961. The Banking Companies (Acquisition and Transfer of Undertakings) Act for nationalization was passed in 1970. Finally, the Regional Rural Banks Ordinance was promulgated in 1975 to address rural credit needs.

38. (B) I and III
The State Bank of India is mandated to act as the Reserve Bank's agent for government business at locations where the RBI has no presence. It is also legally permitted to acquire the business of other banks with the Central Government's sanction. If terms for acting as an agent are not agreed upon, the Reserve Bank decides them, not the Parliament.

39. (B) I, II, and IV
Regional Rural Banks must close their annual accounts on 31 March and disqualify insolvent persons from holding directorships. Sponsor banks play a vital role in monitoring their progress through inspections and audits. However, the appointment of an RRB's auditor is not done exclusively by the sponsor bank; it requires the prior approval of the Reserve Bank and the Central Government.

40. (D) Primary co-operative bank – A society whose primary business is banking with capital and reserves of at least Rs. 1 lakh.
A primary co-operative bank is correctly defined as a co-operative society whose principal business is banking, provided its paid-up share capital and reserves are at least one lakh rupees. The other definitions are mismatched: a state co-operative bank is the apex body in a state, while a central co-operative bank operates as the principal society at the district level.

41. (C) I, II, III, and V
Local Area Banks are restricted to three contiguous districts and must have a minimum start-up capital of five crore rupees. NRI equity contributions are capped at 40 per cent. While they can open one branch in an urban center per district, they are established as public limited companies, not as LLPs or partnership firms. This corporate structure ensures regulatory accountability.

42. (A) P-2, Q-1, R-4, S-3
The 2020 bank merger combined several institutions into larger anchor banks. Syndicate Bank was merged into Canara Bank, while Allahabad Bank was integrated with Indian Bank. Andhra Bank and Corporation Bank joined the Union Bank of India. Earlier, Vijaya Bank and Dena Bank had merged into Bank of Baroda. These moves aimed at optimizing operations and strengthening the banking sector.

NODIA

43. (A) I and II
Legislative amendments facilitated the disinvestment of shares in public sector banks. The SBI Act was modified to reduce the face value of shares to ten rupees, making them more accessible. Similarly, nationalization acts were amended to allow for the transferability of non-government shares. However, voting rights for private shareholders in nationalized banks remain capped to prevent any takeover of control.

44. (B) Only II
The amalgamation of Regional Rural Banks is a process initiated by the Central Government, not the Reserve Bank, although it is done in consultation with them. Once a notification for amalgamation is issued, it becomes legally binding on the banks involved. The notification must also include provisions to ensure the continuity of service for the employees of the merging RRB entities.

45. (A) I, II, III, and IV
The consolidation of public sector banks in 2020 was primarily motivated by systemic challenges. These included inadequate capital levels, a high burden of non-performing assets, and overall poor profitability and growth rates across the sector. Aggressive expansion by foreign banks in rural areas was not a primary driver for these domestic mergers, which focused on creating robust, globally competitive institutions.

46. (A) II, IV, I, III
The chronological establishment of these private banks spans different eras. City Union Bank is the oldest, founded in 1904. Federal Bank followed in 1931. HDFC Bank represents the new generation of private banks, established in 1994 after the liberalization of the Indian economy. Bandhan Bank is the most recent, starting its banking operations in 2015 after transitioning from microfinance.

47. (D) I, II, III, and IV
A co-operative bank's registration with the Deposit Insurance and Credit Guarantee Corporation can be cancelled under several conditions. These include the cancellation of its banking license or a prohibition on accepting deposits. Registration is also terminated if the bank converts into a non-banking society or transfers all its deposit liabilities to another institution, as it no longer functions as an insurable bank.

48. (B) South Indian Bank – 1929
South Indian Bank was established in 1929, making it one of the oldest private sector banks in India. Other pairings are incorrect: Axis Bank was established in 1993 as UTI Bank, and RBL Bank dates back to 1943. These institutions have played a significant role in India's financial history, evolving from regional entities into prominent players in the modern banking landscape.

49. (D) I, II, and III
Eligibility to establish a Small Finance Bank is broad to encourage diverse participation. Experienced banking professionals, existing Non-Banking Finance Companies, and Local Area Banks are all eligible to apply for a license. These entities must be owned and controlled by residents to ensure that the primary focus remains on the domestic objective of furthering financial inclusion in underserved areas.

50. (C) Both I and II
Payments banks are subject to strict investment norms to ensure liquidity and safety. They must invest at least 75 per cent of their demand deposit balances in government securities or treasury bills with a maturity of up to one year. The remaining 25 per cent can be held as deposits with other scheduled commercial banks for operational and liquidity management purposes.

51. (D) I, II, III, IV, and V
Differentiated banks offer several structural advantages as noted by the Nachiket Mor Committee. They allow for specialization, reducing the non-optimal use of resources and lowering intermediation costs. Their ability to handle low-ticket unsecured credit and specialized risk assessment for infrastructure projects makes them highly efficient. Furthermore, regulatory and compliance frameworks can be customized to their specific business models and risk profiles.

52. (A) P-2, Q-4, R-1, S-3
Many private sector banks have deep regional roots indicated by their headquarters. CSB Bank is based in Thrissur, Kerala, and City Union Bank is headquartered in Kumbakonam, Tamil Nadu. Federal Bank operates from Aluva in Kochi, while

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Tamilnad Mercantile Bank is located in Tuticorin. These locations often reflect the historical origins and the initial primary customer base of these banking institutions.

53. (C) Krishna Bhima Samruddhi Local Area Bank Ltd – Area of operation includes contiguous districts in Maharashtra and Gujarat
Krishna Bhima Samruddhi Local Area Bank Ltd is a functioning local area bank. However, its area of operation is centered around specific contiguous districts in Karnataka and the erstwhile Andhra Pradesh, rather than Maharashtra and Gujarat. It maintains its head office in Mahbubnagar. Such banks are designed to serve local populations within a very narrow and specific geographic area of operation.

54. (A) I, II, and III
Co-operative banks are prohibited from lending against their own shares or providing unsecured loans to their directors. They are also restricted from granting unsecured advances to companies where their chairman holds a significant interest as a managing agent. However, unsecured loans provided against trust receipts are generally permitted within approved regulatory limits, as they are part of standard trade finance operations.

55. (A) I and II
Under the Nationalization Acts, the Central Government frames schemes to manage the affairs of nationalized banks. These schemes detail the constitution of the board of directors, the appointment of senior leadership like the chairman and managing director, and rules regarding disqualifications and vacation of office. Privatization procedures are not part of these management schemes, as they were designed for state-owned entities.

56. (A) P-2, Q-4, R-1, S-3
The Banking Regulation Act contains several sections that apply to public sector banks. Section 10 prohibits the employment of managing agents, while Section 17 mandates the maintenance of a reserve fund. Section 29 covers the requirements for accounts and balance sheets. Section 35A empowers the Reserve Bank to issue binding directions to these banks in the interest of the public.

57. (D) I, II, III, IV, and V
Sections of the Banking Regulation Act specifically apply to public sector banks to ensure regulatory oversight. Section 10 prohibits managing agents, while Section 17 requires a reserve fund. Sections 31 and 35A deal with the submission of returns and the Reserve Bank's power to give directions, respectively. Section 50 bars claims for compensation regarding losses resulting from the operation of specific provisions.

58. (A) Section 35 – Power of the Reserve Bank to issue directions in respect of stressed assets
While the Reserve Bank has the power to inspect banks under Section 35, the specific power to issue directions regarding stressed assets and the insolvency resolution process was introduced through Section 35AA and Section 35AB via later amendments. The other listed matches, including rules for share commissions, submission of returns, and the government's rule-making powers, correctly reflect the provisions.

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59. (A) I, II, and III
The Board of the State Bank of India is a statutory body comprising a Chairman and up to four Managing Directors. It also includes directors representing employees and experts in fields like the rural economy and cooperatives. However, the Chairman and Managing Directors are appointed for a term not exceeding five years, rather than ten years, as specified in the Act.

60. (C) Both I and II
The board of a nationalized bank must include a chartered accountant with at least fifteen years of experience, nominated by the government in consultation with the Reserve Bank. Furthermore, to strengthen the management of these banks, the government recently increased the maximum number of whole-time executive directors from three to four, allowing for a broader distribution of senior leadership.

61. (C) The Reserve Bank of India
The State Bank of India is required to have its accounts audited annually by qualified professionals. While the bank appoints these statutory auditors, it cannot do so independently. According to the State Bank of India Act, the appointment of these auditors is subject to the

previous approval of the Reserve Bank of India, ensuring that the auditors meet high professional standards.

62. (A) No, at least 50 per cent of an SFB's loan portfolio should constitute loans and advances of up to Rs. 25 lakh.
Small Finance Banks have a specific mandate to serve small borrowers. Regulatory guidelines require that at least 50 per cent of their total loan portfolio must consist of loans and advances of up to twenty-five lakh rupees. Focusing an entire portfolio on large corporate infrastructure loans would directly violate this fundamental requirement, which is designed to ensure credit reach to smaller segments.

63. (D) Assertion (A) is false, but Reason (R) is true.
While nationalized banks were initially wholly owned by the government, they are not prohibited from raising capital through public issues today. In fact, many have issued shares to the public to strengthen their capital base. However, the reason is correct because the law mandates that the Central Government must maintain at least fifty-one per cent of the equity at all times.

64. (A) Balances in a current account with the RBI, including balances required under Section 42 of the RBI Act.
For a scheduled state co-operative bank, liquid assets for the Statutory Liquidity Ratio are calculated based on Section 24 of the Banking Regulation Act. This includes cash, gold, and unencumbered approved securities. Crucially, any balances maintained in a current account with the Reserve Bank, including those kept to satisfy the Cash Reserve Ratio requirements under the RBI Act, are included.

65. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
The voting rights of private shareholders in the State Bank of India are indeed capped at ten per cent to ensure government control. Separately, the government did acquire the Reserve Bank's entire shareholding in SBI to eliminate potential conflicts of interest. While both statements are factually correct, the government's acquisition from the RBI does not explain the specific cap on private voting rights.

66. (C) No, the outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).
Payments banks must maintain a safe leverage ratio to protect their depositors. According to the Reserve Bank of India's prudential guidelines, a payments bank's outside liabilities are strictly capped. They should not exceed 33.33 times the institution's net worth, which is the sum of its paid-up capital and reserves. A proposed ratio of 40 times would therefore be non-compliant with regulations.

67. (C) No, because candidates cannot be a board member of rival banks.
Under the 'fit and proper' criteria for elected directors in public sector banks, specific disqualifications exist to prevent conflicts of interest. A candidate who currently serves as a board member of any other commercial bank, considered a rival entity, is ineligible for election. This ensures that the director acts solely in the interest of the bank they are serving without split loyalties.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Local Area Banks have seen their relevance decline significantly as the banking landscape evolved. The introduction of Small Finance Banks provided a more robust and scalable model for financial inclusion, offering decided regulatory and operational advantages over the older LAB model. Consequently, the advent of these specialized differentiated banks has directly led to the diminished role and number of Local Area Banks.

69. (C) Yes, the initial requirement is Rs. 100 crore, to be increased to Rs. 200 crore within five years of starting.
The On-Tap Licensing Policy provides a specific pathway for Urban Co-operative Banks to transition into Small Finance Banks. While the general net worth requirement for a new SFB is Rs. 200 crore, transitioning UCBs are permitted to start with an initial net worth of Rs. 100 crore. They must then increase this to Rs. 200 crore within five years of starting operations.

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70. (C) The bank cannot grant any loans or make investments in credit instruments during the tenure of the moratorium.
When a moratorium is imposed on a scheduled state co-operative bank by the Reserve Bank, it serves to freeze most financial activities to stabilize the institution. An immediate consequence is that the bank is barred from granting any new loans or advances. Furthermore, it is prohibited from making any fresh investments in credit instruments throughout the duration of the moratorium.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Regional Rural Banks are typically assigned a compact and specific geographic area, often consisting of a few neighboring districts. This design is intentional, as it allows the bank to focus on regions with similar agro-climatic conditions and economic needs. By operating locally, the RRB can better understand its rural clientele and provide more effective and tailored credit and banking services.

72. (C) Within six weeks
After the State Bank of India completes its annual accounts and receives the auditor's report, it must submit these documents to the Central Government and the Reserve Bank. Following this submission, the bank is legally required to hold its annual general meeting. This meeting must take place within six weeks from the date the reports were sent to the government and regulator.

73. (B) SFBs will be given scheduled bank status immediately upon commencement of operations.
Under the On-Tap Licensing Policy released in December 2019, Small Finance Banks are given a significant operational advantage. Unlike some other categories of banks that may have to wait, SFBs are granted scheduled bank status immediately upon the commencement of their operations. This status allows them to perform various banking functions and access the Reserve Bank's liquidity facilities more effectively from day one.

74. (C) No, the minimum paid-up equity capital for payments banks shall be Rs. 100 crore.
The Reserve Bank of India has established clear entry barriers for specialized banks to ensure their financial viability. For any entity, including a large corporate chain, wishing to set up a Payments Bank, the minimum paid-up equity capital requirement is strictly set at Rs. 100 crore. A proposal with only Rs. 80 crore would fail to meet this mandatory regulatory threshold for licensing.

75. (A) No, because no Director, member of a local board, local committee, or an officer of the bank shall be the auditor.
Statutory audit rules for the State Bank of India emphasize the necessity of auditor independence. The State Bank of India Act specifically prohibits any director, member of a local board, or officer of the bank from being appointed as an auditor. This rule ensures that the audit process is free from internal influence or bias, thereby maintaining the integrity of the bank's financial statements.

76. (B) Three directors
The board of a nationalized bank includes directors who are elected by the shareholders other than the Central Government. The number of such elected directors depends on the proportion of public shareholding in the bank's total equity. Under current law, the maximum number of directors that can be elected by these private and institutional shareholders is capped at three for each nationalized bank.

77. (C) It is non-compliant as they cannot lend and must invest 75% of demand deposits in SLR-eligible securities.
Payments banks are fundamentally different from commercial banks as they are prohibited from undertaking any lending activities, including small personal loans. Their investment mandate is also strict; they must keep at least 75 per cent of their demand deposit balances in SLR-eligible government securities. Any plan to use half of their deposits for lending would be a direct violation of their license.

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78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Payments banks are allowed to issue debit cards to facilitate transactions and withdrawals for their customers. However, they are strictly barred from issuing credit cards. This is because issuing a credit card is essentially a form of providing credit or lending. Since payments banks are legally prohibited from undertaking any lending activities, they cannot offer products like credit cards to their users.

79. (B) The nominated chartered accountant must have not less than fifteen years' experience.
To ensure high-quality financial oversight on the boards of nationalized banks, the government nominates a chartered accountant in consultation with the Reserve Bank. This professional must meet a specific statutory experience threshold. The law requires that the nominated chartered accountant must have a minimum of fifteen years of professional experience, ensuring they possess the deep expertise required for board-level financial supervision.

80. (B) Within five working days at an office/branch, or ten working days if made elsewhere.
Under the Banking Regulation Act, if a co-operative bank refuses to pay a lawful demand, the Reserve Bank may certify its inability to pay debts. This certification must be issued within a specific timeframe once the refusal is brought to notice. The timeframe is five working days if the demand was made at an office or branch, and ten working days if elsewhere.

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CHAPTER 06
Non-Banking Financial Companies

Oct/Nov 2016

1. Consider the following statements regarding the role of Non-Banking Financial Companies (NBFCs):

I. NBFC-MFIs provide access to basic financial services to poor people and attempt to fill the void left between mainstream commercial banks and money lenders.

II. NBFCs are not permitted to finance second-hand vehicles, as this is exclusively reserved for mainstream commercial banks.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2023

2. Which of the following statements concerning the Top Layer (TL) of the revised scale-based regulatory structure is incorrect?

(A) The Top Layer would ideally remain empty.
(B) It may be populated if the RBI perceives a substantial increase in systemic risk from specific NBFCs.
(C) The top ten eligible NBFCs in terms of asset size shall always reside in the Top Layer.
(D) NBFCs moving to the Top Layer shall be moved from the Upper Layer.

Oct/Nov 2011

3. From which date is the revised scale-based regulatory framework for NBFCs, brought out by the RBI, effective?

(A) 01-04-2021
(B) 22-10-2021
(C) 01-10-2022
(D) 31-03-2023

May/June 2014

4. Match the category of assets with their respective rate of provision for Upper Layer NBFCs (NBFC-UL).

List I: Category of Assets

P. Individual housing loans and loans to SMEs
Q. Advances to Commercial Real Estate - Residential Housing (CRE - RH)
R. Advances to Commercial Real Estate (other than CRE-RH)
S. All other loans and advances not included above

List II: Rate of Provision

1. 1.00 per cent
2. 0.40 per cent
3. 0.75 per cent
4. 0.25 per cent

(A) P-4, Q-3, R-1, S-2
(B) P-2, Q-1, R-3, S-4
(C) P-4, Q-1, R-3, S-2
(D) P-3, Q-4, R-2, S-1

Oct/Nov 2020

5. Which of the following strictly defines an Infrastructure Debt Fund - NBFC (IDF-NBFC)?

(A) An NBFC that invests in corporate bonds with a NOF of Rs. 100 crore
(B) An NBFC with NOF of Rs. 300 crore or more that invests in PPP projects
(C) An NBFC that provides direct loans to real estate with Rs. 500 cr assets
(D) An NBFC in microfinance with NOF of Rs. 5 crore and 75% microloan assets

May/June 2007

6. Arrange the following NPA classification glide path norms for Base Layer NBFCs in the chronological order of their compliance deadlines:

I. > 90 days overdue
II. > 150 days overdue
III. > 120 days overdue

(A) I, II, III
(B) II, III, I
(C) III, II, I
(D) II, I, III

Oct/Nov 2005

7. Which of the following activities, if constituting the principal business of an institution, excludes

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it from the definition of a Non-Banking Financial Company (NBFC)?
(A) Leasing operations and hire-purchase transactions
(B) Industrial activity and agriculture activity
(C) Acquisition of shares, stocks, bonds, or debentures
(D) Insurance business and conduct of chit fund business

May/June 2019

8. The Base Layer of the revised Scale Based Regulatory Structure comprises all of the following, EXCEPT:
(A) Non-deposit taking NBFCs below the asset size of Rs. 1000 crore
(B) Standalone Primary Dealers (SPDs)
(C) NBFC-Peer to Peer Lending Platform (NBFC-P2P)
(D) NBFC-Account Aggregator (NBFC-AA)

Oct/Nov 2022

9. According to regulatory guidelines, how is "Public Funds" defined for NBFCs?
(A) Funds raised exclusively through equity shares issued to the general public via IPOs
(B) Public deposits, bank finance, and commercial papers, excluding 5-year CCIs
(C) Funds allocated by the Central Government for specific infrastructure developments
(D) Funds accumulated solely from inter-corporate deposits and internal financial reserves

May/June 2009

10. Which of the following statements correctly describes the registration requirement for an NBFC under Section 45-IA of the RBI Act, 1934?
(A) An NBFC can commence operations immediately upon incorporation and apply for registration within six months.
(B) Registration with the RBI is optional if the NBFC's asset size is below Rs. 100 crore.
(C) No NBFC shall commence business without obtaining a certificate of registration and having the specified net owned fund.
(D) NBFCs regulated by SEBI must also obtain a separate registration certificate from the RBI to avoid dual regulation.

Oct/Nov 2015

11. Alpha Finance is an NBFC-ML assessing its need for capital through the Internal Capital Adequacy Assessment Process (ICAAP). The board is debating whether they must maintain Pillar 2 capital strictly as commercial banks do. Based on regulatory guidelines, which approach is correct for Alpha Finance?
(A) They must hold identical Pillar 2 capital reserves as traditional commercial banks do
(B) ICAAP is only applicable to Top Layer NBFCs, thus Alpha Finance is entirely exempt
(C) Methodology for internal assessment is dictated by the RBI without board discretion
(D) Pillar 2 capital is not insisted upon, but they must make realistic risk assessments

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May/June 2025

12. How do NBFCs uniquely contribute to inclusive growth compared to traditional commercial banks?
(A) By exclusively financing large corporate infrastructure projects
(B) By offering lower interest rates than commercial banks on all products
(C) By using simpler processes and flexible terms for unorganized sectors
(D) By primarily focusing on agricultural credit and rural housing loans

Oct/Nov 2008

13. Consider the following entities:
I. All deposit taking NBFCs (NBFC-Ds)
II. Core Investment Companies (CICs)
III. Housing Finance Companies (HFCs)
IV. Infrastructure Finance Companies (NBFC-IFCs)
V. Non-Operative Financial Holding Company (NOFHC)
Which of the above entities would strictly consist of the Middle Layer (ML)?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2011

14. Which of the following pairs correctly matches the applicable NBFC category with its specific regulatory requirement?
(A) NBFC-MFI (North Eastern Region) –

Minimum NOF requirement of Rs. 5 crore
(B) NBFC-Factor – Minimum asset size requirement of Rs. 100 crore for setup
(C) NBFC-IFC – Minimum CRAR of 15% (with minimum Tier I capital of 10%)
(D) IDF-NBFC – Minimum Net Owned Fund requirement of Rs. 500 crore for firms

Oct/Nov 2024

15. An NBFC classified as NBFC-UL extends teaser housing loans. The accounts have remained 'standard' for two years since the date on which the rates were reset at higher rates. What is the standard asset provision required for these loans?
(A) 2.00 per cent
(B) 1.00 per cent
(C) 0.75 per cent
(D) 0.40 per cent

May/June 2005

16. What is the primary focus of regulation and supervision of NBFCs by the Reserve Bank of India?
(A) Depositor protection, consumer protection, and financial stability
(B) Maximization of shareholder wealth, tax compliance, and market expansion
(C) Ensuring mandatory core banking implementation and cross-border trade
(D) Regulating interest rates on all asset products and securing foreign grants

Oct/Nov 2018

17. What is the Net Owned Fund (NOF) requirement by 31-03-2027 for Micro Finance Institutions (MFI) operating in the North Eastern (NE) region?
(A) Rs. 2 crore
(B) Rs. 5 crore
(C) Rs. 7 crore
(D) Rs. 10 crore

May/June 2012

18. Consider the following statements regarding specific sectors financed by NBFCs:
I. Branches of gold loan NBFCs have increased significantly, mostly housed at semi-urban and rural centres.
II. NBFCs offer easier KYC norms such as relaxation in documentation to facilitate easy access to low-income borrowers for affordable housing.
III. NBFCs do not participate in the financing of construction equipment and secured working capital.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2013

19. Match the classification of NBFCs with their assigned regulatory layer.
List I: Classification of NBFCs
P. NBFC-Account Aggregator (AA)
Q. Stand-alone Primary Dealer (SPD)
R. Investment & Credit Companies (ICC)
S. Deposit Taking (D)
List II: Regulatory Layer
1. Middle Layer
2. Any Layer
3. Base Layer
4. Middle/Upper Layer
(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-4, R-3, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-2, R-4, S-1

May/June 2021

20. Consider the following statements regarding the Capital Requirements for applicable NBFCs:
I. Every applicable NBFC must maintain a minimum capital ratio of not less than 15 per cent of its aggregate risk-weighted assets.
II. The Tier I capital in respect of applicable NBFCs shall not be less than 10 per cent at any point in time.
III. NBFC-MFI and IDF-NBFC are subject to specific capital adequacy norms as per their respective categories.
IV. Applicable NBFCs primarily engaged in lending against gold jewellery must maintain a minimum Tier I capital of 12 per cent.
Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

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Oct/Nov 2006

21. The following question consists of two statements: an Assertion (A) and a Reason (R). Select the most appropriate option based on these statements.
Assertion (A): There is a regulatory ceiling of Rs. 1 crore per borrower for financing subscription to Initial Public Offer (IPO).
Reason (R): NBFCs are prohibited from fixing any limits more conservative than the prescribed Rs. 1 crore ceiling.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

22. Which of the following is NOT a way in which NBFCs aid economic development?
(A) Mobilization of Resources by converting savings into investments
(B) Issuing currency notes to stabilize the local rural economy
(C) Provision of long-term credit and specialised credit
(D) Help in development of Financial Markets and Capital Formation

Oct/Nov 2017

23. Certain categories of NBFCs are exempted from registration with RBI to obviate dual regulation. Which of the following pairs of NBFC category and its regulator is incorrectly matched?
(A) Venture Capital Fund – SEBI
(B) Housing Finance Companies – National Housing Bank
(C) Chit companies – Defined in clause (b) of Section 2 of the Chit Funds Act, 1982
(D) Merchant Banking Companies – IRDA

May/June 2024

24. Consider the following statements regarding the Net Owned Funds (NOF) glide path for Investment & Credit Companies (ICC):
I. The present NOF requirement is Rs. 2 crore.
II. By 31-03-2025, the NOF requirement will increase to Rs. 5 crore.
III. By 31-03-2027, the NOF requirement will increase to Rs. 10 crore.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2009

25. Under the revised nomenclature norms effective from October 01, 2022, existing NBFC-ND-SIs having an asset size of Rs. 500 crore and above but below Rs. 1000 crore (except those necessarily featuring in the Middle Layer) will be known as:
(A) NBFC-UL
(B) NBFC-BL
(C) NBFC-ML
(D) NBFC-TL

NODIA

May/June 2022

26. An NBFC has been found violating statutory guidelines by accepting deposits illegally and compromising depositor interests. Under the provisions of the Reserve Bank of India Act, 1934, which of the following punitive actions is the RBI empowered to take?
(A) Directing the NBFC to merge into a nationalized bank
(B) Liquidating the personal assets of the shareholders
(C) Transferring the management to the Ministry of Finance
(D) Prohibiting deposits and filing winding-up petitions

Oct/Nov 2014

27. Which of the following pairs regarding NPA Classification norms and the timeline for adherence by Base Layer NBFCs is correctly matched?
(A) >150 days overdue – By March 31, 2026
(B) >120 days overdue – By March 31, 2025
(C) >90 days overdue – By March 31, 2024
(D) >180 days overdue – By March 31, 2027

May/June 2018

28. What is the general minimum Net Owned Fund (NOF) specified by the Reserve Bank of India for a non-banking financial company to commence or carry on business, except wherever otherwise specifically prescribed?
(A) Rs. 50 lakh

(B) Rs. 1 crore
(C) Rs. 2 crore
(D) Rs. 5 crore

Oct/Nov 2025

29. The following question consists of two statements: an Assertion (A) and a Reason (R). Select the most appropriate option based on these statements.
Assertion (A): Under the revised regulatory framework, the term "customer interface" means interaction between the NBFC and its customers while carrying on its business.
Reason (R): NBFCs not availing public funds and not having any customer interface are categorized in the Middle Layer.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2013

30. An entity wishes to register as an NBFC-Infrastructure Finance Company (NBFC-IFC). It has an asset size of Rs. 600 crore and Net Owned Funds of Rs. 350 crore. To fulfill the requirements for this classification, what minimum percentage of its total assets must be deployed in "infrastructure loans"?
(A) 50 per cent
(B) 65 per cent
(C) 75 per cent
(D) 85 per cent

Oct/Nov 2019

31. Gamma Finance is an applicable NBFC held by a Non-Operative Financial Holding Company (NOFHC). The Promoters request Gamma Finance to invest in equity instruments of another financial entity under the same NOFHC. What does the regulation state regarding this action?
(A) It is permitted up to 10% of Gamma Finance's Owned Fund.
(B) It is allowed only with prior written permission from SEBI.
(C) It is strictly not allowed.
(D) It is allowed provided the NOFHC guarantees the investment.

May/June 2008

32. Consider the following statements regarding the Fair Practices Code for applications for loans and their processing:
I. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
II. The loan application form shall indicate the documents required to be submitted.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2012

33. Match the concentration limits with their respective revised limits as a percentage of Tier I Capital.
List I: Concentration Limits
P. Single Borrower/Party Lending
Q. Single Borrower/Party Total Exposure
R. Single Group of Borrowers/Parties Lending
S. Single Group of Borrowers/Parties Total Exposure
List II: Percentage of Tier I Capital
1. 25
2. 40
3. 15
4. 50
(A) P-1, Q-1, R-2, S-2
(B) P-3, Q-1, R-4, S-2
(C) P-1, Q-3, R-2, S-4
(D) P-2, Q-2, R-1, S-1

May/June 2020

34. Consider the following statements regarding the rediscounting of bills discounted by NBFCs arising from the sale of commercial vehicles and two/three-wheelers. To be eligible for bank credit, which of the following conditions must be met?
I. The bills should have been drawn by the manufacturer on dealers only.
II. The bills should represent genuine sale transactions.
III. Genuine sale transactions may be ascertained from the chassis/engine number.
IV. Banks should satisfy themselves about the

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bona fides of the NBFCs.
V. Banks should satisfy themselves about the track record of NBFCs which have discounted the bills.

Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2007

35. An NBFC-ML is preparing its Annual Financial Statements. During the year, there were breaches in covenants regarding loans availed by the NBFC, resulting in an incidence of default. According to disclosure requirements, what action must the NBFC take?
(A) Disclose covenant breaches and defaults in Annual Financial Statements
(B) Conceal the breach to prevent panic among the general public and depositors
(C) Disclose the breach in financial statements only if defaults exceed Rs. 100 cr
(D) Report the breach confidentially to the RBI without public financial disclosure

May/June 2016

36. Under the Co-Lending Model (CLM) between Banks and NBFCs, what is the purpose of the Master Agreement?
(A) Define terms, selection criteria, product lines, and segregation of duties
(B) To completely transfer all credit risks to the Reserve Bank of India
(C) To merge the operations of the NBFC into the partnering commercial bank
(D) To dictate uniform interest rates across all partnering financial institutions

Oct/Nov 2010

37. Consider the following statements regarding additional regulatory changes applicable to NBFC-UL:
I. NBFC-UL shall maintain Common Equity Tier 1 capital of at least 9 per cent of Risk Weighted Assets.
II. NBFC-UL will be subjected to leverage requirements to ensure growth is supported by adequate capital.
III. NBFC-UL shall be required to hold differential provisioning towards different classes of standard assets.
IV. NBFC-UL is exempt from CRAR requirements if leverage norms are met.

Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2017

38. A large NBFC has experienced excessive risk-taking by its senior executives, largely driven by aggressive bonuses tied strictly to short-term targets. To address such misaligned compensation packages, what specific regulatory requirement must the NBFC fulfill?
(A) Institute a fixed salary cap mandated by the Ministry of Finance for all executives
(B) Defer all variable pay components for a mandatory rolling period of ten long years
(C) Abolish variable pay structures entirely for all designated Key Managerial Personnel
(D) Implement a Board-approved compensation policy and a Remuneration Committee

Oct/Nov 2021

39. Match the type of company with the Act under which it is registered or notified, exempting it from RBI registration.

List I: Type of Company
P. Insurance Companies
Q. Nidhi Companies
R. Stock Broking Companies
S. Housing Finance Companies

List II: Regulatory Authority/Act
1. Section 620A of the Companies Act, 1956
2. National Housing Bank (NHB)
3. Section 3 of the Insurance Act, 1938
4. Section 12 of the Securities & Exchange Board of India Act

(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-4, R-1, S-2

May/June 2015

40. Which of the following is a regulatory restriction imposed on NBFCs regarding loans involving real estate?
(A) NBFCs are completely prohibited from lending to the commercial real estate sector.
(B) NBFCs can disburse the loan amount prior to the borrower obtaining government

NODIA

clearances if an undertaking is provided.
(C) Real estate proposals cannot be sanctioned in the normal course until all regulatory approvals are physically verified by the RBI.
(D) Disbursements for real estate projects must be made only after the borrower has obtained requisite clearances from government authorities.

Oct/Nov 2023

41. Regarding the Co-Lending Model (CLM), which of the following statements is incorrect?
(A) The bank shall comply with the Master Directions on KYC.
(B) Banks are allowed to enter into a co-lending arrangement with an NBFC belonging to the promoter Group.
(C) Regulated entities can, at their option, rely on customer due diligence done by a third party subject to specified conditions.
(D) The Minimum Holding Period (MHP) exemption is available only if the agreement contains a back-to-back basis clause.

May/June 2006

42. Consider the following statements regarding the application of concentration of credit/ investment limits for applicable NBFCs. The limits shall NOT apply to investments in shares of:
I. Its subsidiaries.
II. Companies in the same group, to the extent reduced from Owned Funds for NOF calculation.
III. Any listed commercial bank.
IV. The book value of debentures made to subsidiaries.
V. The book value of outstanding loans made to companies in the same group, reduced from Owned Funds for NOF.
Which of the above statement(s) is/are correct?
(A) I, II, IV, and V only
(B) I, II, III, and IV only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2016

43. What is the mandated timeline provided for NBFCs with 10 or more branches to implement the Core Banking Solution (CBS)?
(A) A glide path of 1 year with effect from October 01, 2022.
(B) A glide path of 3 years with effect from October 01, 2022.
(C) Immediate compliance by March 31, 2023.
(D) A glide path of 5 years with effect from March 31, 2024.

May/June 2023

44. Except for directorship in a subsidiary, Key Managerial Personnel (KMP) shall NOT hold any office in which of the following?
(A) Any other NBFC-ML
(B) Any other NBFC-UL
(C) Any NBFC-BL
(D) Both (A) and (B)

Oct/Nov 2011

45. An NBFC plans to launch a new product offering loans to retail investors specifically for subscribing to upcoming Initial Public Offerings (IPOs) and purchasing shares from the secondary market. The NBFC approaches a commercial bank for a line of credit to fund this product. Can the bank provide finance for this specific activity?
(A) Yes, if the NBFC provides collateral equal to 150% of the requested loan amount
(B) Yes, provided the retail investors' credit scores are above the 750 point mark
(C) No, lending to individuals for IPOs or secondary markets is ineligible for credit
(D) No, unless authorized specifically by the Securities and Exchange Board of India

May/June 2014

46. Regarding the concentration of credit/ investment norms applicable for NBFC-ML and NBFC-UL, which of the following statements is incorrect?
(A) The revised exposure limit for a single borrower/party is 25%.
(B) The concentration limits are determined with reference to the NBFC's Owned Fund instead of their Tier 1 capital.
(C) The revised exposure limit for a single group of borrowers/parties is 40%.
(D) The extant credit concentration limits for lending and investments have been merged into a single exposure limit.

Oct/Nov 2020

47. Regarding the ceiling on bank credit linked to Net Owned Fund (NOF) for NBFCs registered

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with RBI and engaged in asset financing, loan, factoring, and investment activities, which of the following is correct?
(A) The ceiling remains strictly fixed at three times the company's Net Owned Fund
(B) Ceiling withdrawn; banks may extend need-based working and term loans
(C) The ceiling is capped at Rs. 50 crore irrespective of the company's Net Owned Fund
(D) Bank credit is only permitted for NBFCs classified under the regulatory Top Layer

May/June 2007

48. As per the Prudential Guidelines for NBFCs, what constitutes "Sensitive Sector Exposure (SSE)"?
(A) Exposure to agriculture and microfinance sectors.
(B) Exposure to capital market (direct and indirect) and commercial real estate.
(C) Exposure to foreign exchange derivatives and commodity markets.
(D) Exposure to government securities and inter-bank lending.

Oct/Nov 2005

49. Under the Fair Practices Code, what is the preferred practice regarding the acknowledgement of loan applications by Applicable NBFCs?
(A) Acknowledgement should indicate the timeframe for the disposal of the application
(B) Acknowledgements should only be issued for loans that have received final approval
(C) Acknowledgements must be sent via registered post within fifteen days of submission
(D) Acknowledgements are optional if the loan amount is below the Rs. one lakh threshold

May/June 2019

50. Consider the following statements regarding the Chief Compliance Officer (CCO) in NBFCs:
I. NBFCs are required to appoint a CCO who should be sufficiently senior in the organization hierarchy.
II. The NBFC must put in place a Board approved policy laying down the role and responsibilities of the CCO.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

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Oct/Nov 2022

51. The following question consists of two statements: an Assertion (A) and a Reason (R). Select the most appropriate option based on these statements.
Assertion (A): If a Co-Lending Agreement entails a prior, irrevocable commitment by the bank to take its share of individual loans into its books, the credit sanction process cannot be outsourced.
Reason (R): The partner bank must put in place suitable mechanisms for ex-ante due diligence by the bank under extant guidelines.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2009

52. Consider the following statements regarding Infrastructure Finance Companies (IFCs):
I. IFCs may exceed the concentration of credit norms in lending to any single borrower by five per cent of its Tier 1 capital.
II. IFCs may exceed the concentration of credit norms in lending to any single group of borrowers by ten per cent of its Tier 1 capital.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2015

53. The following question consists of two statements: an Assertion (A) and a Reason (R). Select the most appropriate option based on these statements.
Assertion (A): NBFCs are required to constitute a Risk Management Committee (RMC) either at the Board or executive level.
Reason (R): The RMC would be responsible for evaluating the overall risks faced by the NBFC

including liquidity risk and will report to the Board.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2025

54. A Residuary Non-Banking Company (RNBC) approaches a commercial bank for a loan. The RNBC has a Net Owned Fund (NOF) of Rs. 15 crore. Under the regulations governing bank finance to RNBCs, what is the maximum extent to which bank finance can be provided?
(A) Unrestricted, based solely on the bank's risk perception.
(B) Restricted to the extent of their Net Owned Fund (Rs. 15 crore).
(C) Restricted to twice the amount of their Net Owned Fund (Rs. 30 crore).
(D) RNBCs are entirely restricted from obtaining bank finance.

Oct/Nov 2008

55. Consider the following statements regarding 'Other Governance matters' that NBFCs are required to comply with:
I. The Board shall delineate the role of various committees and lay down a calendar of reviews.
II. NBFCs shall formulate a whistle blower mechanism for directors and employees.
III. The Board shall ensure good corporate governance practices in the subsidiaries of the NBFC.
IV. NBFCs with 10 and more branches are mandated to adopt Core Banking Solution.
Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2011

56. Beta NBFC is funding a major highway project. They want to exceed the prescribed concentration of credit norms for a single party to accommodate the large scale of the infrastructure loan. Under the regulations, by what percentage can the NBFC exceed the norm for this single party?
(A) 2 per cent
(B) 5 per cent
(C) 10 per cent
(D) 15 per cent

Oct/Nov 2024

57. The following activities undertaken by NBFCs are not eligible for bank credit, EXCEPT:
(A) Need-based credit to Stock Broking Companies for shares held as stock-in-trade
(B) Investments of NBFCs of current and long-term nature in shares of other companies
(C) Unsecured loans or inter-corporate deposits provided by NBFCs to any other company
(D) All types of loans and advances made by NBFCs to their own operating subsidiaries

May/June 2005

58. Consider the following statements regarding Large Exposure Framework (LEF) and Internal Exposure Limits:
I. LEF is introduced for NBFCs placed in the Upper Layer.
II. Board of NBFC-UL shall determine internal exposure limits on important sectors to which credit is extended.
III. A sub-limit within the commercial real estate exposure ceiling shall be fixed internally for financing land acquisition.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2018

59. In the context of bank finance to NBFCs, how are 'Current investments' classified?
(A) Investments intended to be held for a period of more than three financial years
(B) Investments made specifically in long-term infrastructure bonds and debt funds
(C) Current assets in the balance sheet intended to be held for under one year
(D) Investments that are pledged against unsecured loans taken from financial firms

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May/June 2012

60. Regarding the Corporate Governance guidelines on Independent Directors, which of the following pairs is incorrectly interpreted?
(A) Maximum number of NBFC-ML/UL Boards an independent director can serve on – Three at the same time
(B) Restriction to directorship on the Boards of NBFC-BLs – Limited to a maximum of two NBFC-BLs
(C) Timeline to ensure compliance with Independent Director limits – Two years from October 01, 2022
(D) Conflict of interest restriction – Board must ensure no conflict arises out of directors being on another NBFC Board at the same time

Oct/Nov 2013

61. If a bank exercises its discretion regarding taking into its books the loans originated by an NBFC under a co-lending agreement, the arrangement will be akin to:
(A) A joint venture equity partnership.
(B) A securitization trust transaction.
(C) A direct assignment transaction.
(D) A corporate debt restructuring mechanism.

May/June 2021

62. Under a Co-Lending Model (CLM), a bank evaluates a pool of loans originated by an NBFC and decides to retain its discretion before taking the loans into its books. Because this arrangement functions akin to a direct assignment transaction, what specific requirement is explicitly stated as NOT applicable to such CLM transactions?
(A) Minimum Holding Period (MHP)
(B) Customer due diligence and KYC compliance
(C) Ex-ante due diligence by the bank
(D) Guidelines on Transactions Involving Transfer of Assets

Oct/Nov 2006

63. Regarding bank finance to NBFCs against second-hand assets, what does the regulatory framework stipulate?
(A) Banks may finance NBFCs against second-hand assets based on experience
(B) Banks are strictly prohibited from extending any finance against second-hand assets
(C) Banks can only finance second-hand commercial vehicles, excluding two-wheelers
(D) Bank finance for second-hand assets is capped at a maximum of Rs. 10 lakh

May/June 2010

64. Consider the following statements regarding the Risk Management Committee (RMC) for NBFC-BL:
I. Must be constituted either at the Board or executive level.
II. Is responsible for evaluating the overall risks faced by the NBFC.
III. Evaluates liquidity risk.
IV. Reports its findings to the Board.
Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2017

65. A commercial bank aims to expand its rural reach by entering into a co-lending arrangement. It identifies an NBFC with a strong rural network. However, the NBFC belongs to the same promoter group as the bank. Under the CLM guidelines, is this partnership permissible?
(A) Yes, but only if the partnership is limited specifically to microfinance loan products
(B) Yes, provided the exposure does not exceed 10% of the partnering bank's Tier 1 capital
(C) No, banks cannot enter CLM deals with NBFCs in the same promoter group
(D) No, unless authorized by the National Bank for Agriculture and Rural Development

May/June 2024

66. The following question consists of two statements: an Assertion (A) and a Reason (R). Select the most appropriate option based on these statements.
Assertion (A): Unsecured loans and inter-corporate deposits provided by NBFCs to any company are not eligible for bank credit.
Reason (R): The RBI regulates bank finance to limit banks from indirectly funding unsecured exposures originated by NBFCs.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true,

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but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2009

67. Match the NBFC nomenclature under Scale Based Regulation (SBR) with its corresponding description or reference.
List I: NBFC Nomenclature under SBR
P. NBFC-BL
Q. NBFC-ML
R. NBFC-UL
S. NBFC-ND
List II: Corresponding Description/Reference
1. Base Layer NBFCs
2. Refers to Middle Layer NBFCs
3. Includes Systemically Important NBFCs warranting enhanced regulation
4. Non-Deposit taking
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-2, Q-1, R-4, S-3
(D) P-1, Q-4, R-3, S-2

May/June 2022

68. Every NBFC must register with RBI under Section 45-IA of the RBI Act, 1934 to commence business, EXCEPT when:
(A) The NBFC operates exclusively within designated rural and semi-urban areas
(B) Primary business is agricultural activity or industrial activity
(C) The NBFC accepts various types of deposits from the general public
(D) The NBFC's Net Owned Funds exceed the threshold of Rs. 500 crore

Oct/Nov 2014

69. An employee of an NBFC uncovers severe financial irregularities in a major loan sanctioning process. The employee wishes to report this but fears retaliation from senior management. What mechanism must the NBFC have in place, according to regulatory guidelines, to handle such situations?
(A) A grievance redressal officer assigned by the local police department
(B) A mandatory arbitration tribunal established for all internal employment disputes
(C) A public relations committee designated to manage potential media information leaks
(D) A whistle blower mechanism for directors and employees to report genuine concerns

May/June 2018

70. Consider the following statements. Regarding disclosures in Annual Financial Statements, NBFCs must include:
I. Corporate Governance report containing composition and category of directors.
II. Disclosure on modified opinion expressed by auditors and its impact.
III. Items of income and expenditure of exceptional nature.
IV. The daily cash flow statements of all branch operations.
Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

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Oct/Nov 2025

71. The regulatory framework for NBFCs has been revised and aligned by the RBI primarily due to:
(A) The declining profitability observed in traditional commercial banking units
(B) Mandates issued by the IMF to standardise global shadow banking operations
(C) The complete cessation of all bank finance availability to the NBFC sector
(D) Growth in sector size, complexity, and systemic interconnectedness

May/June 2013

72. Arrange the Net Owned Fund (NOF) regulatory glide path target dates in the correct chronological order:
I. Implementation of Scale-based Regulatory Structure
II. NOF target of Rs. 5 Cr for Investment & Credit Companies
III. NOF target of Rs. 10 Cr for Investment & Credit Companies
(A) I, II, III
(B) II, I, III
(C) I, III, II
(D) III, II, I

Oct/Nov 2019

73. A new company intends to commence the business of a non-banking financial institution. It plans to register with the RBI. Under clause

(b) of sub-section (1) of section 45-IA of the RBI Act, 1934, what is the maximum amount the RBI can specify by notification in the Official Gazette as the Net Owned Fund requirement?
(A) Twenty-five lakh rupees
(B) Two crore rupees
(C) One hundred crore rupees
(D) Five hundred crore rupees

May/June 2008

74. Consider the following statements regarding Corporate Governance matters for NBFCs:
I. The Board shall delineate the role of the Audit Committee.
II. The Board shall lay down a calendar of reviews.
III. NBFCs shall formulate a whistle blower mechanism for directors and employees.
IV. The Board shall ensure good corporate governance practices in the subsidiaries of the NBFC.
V. Independent directors are limited to serving on the boards of three NBFC-ML/UL.
Which combination of statements is correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2012

75. How is the ceiling on the investment in shares of another company treated for an applicable NBFC investing in the equity capital of an insurance company?
(A) It is not applicable up to the extent specifically permitted, in writing, by the RBI.
(B) It is strictly enforced at 15% of the NBFC's Owned Fund.
(C) It is entirely exempted without any limit or permission required.
(D) It is governed solely by the Insurance Regulatory and Development Authority of India (IRDAI) without RBI involvement.

May/June 2020

76. Consider the following statements regarding Micro Finance Institutions (NBFC-MFI):
I. NBFC-MFI is a non-banking financial company which has a minimum of 75% of its assets as microfinance loans.
II. Not less than 75 per cent of their total assets must be in the nature of "microfinance loans".
III. The minimum NOF requirement for NBFC-MFIs in the North Eastern Region is Rs. 25 crore.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2007

77. An NBFC-UL has significant exposure to the capital market and commercial real estate. According to the Prudential Guidelines on Sensitive Sector Exposure (SSE), how should the NBFC manage its internal limits for these sectors?
(A) Limits are rigidly fixed by the RBI and cannot be altered by the NBFC's Board members
(B) SSE limits must be combined into a single blanket limit covering all capital exposures
(C) Fix Board-approved internal limits for SSE based on dynamic vulnerability assessments
(D) Internal limits are only required if the exposure exceeds 50% of the Net Owned Fund

May/June 2016

78. Which of the following does NOT place an NBFC in the Base Layer irrespective of asset size?
(A) NBFC-Peer to Peer Lending Platform (NBFC-P2P)
(B) Core Investment Companies (CICs)
(C) NBFC-Account Aggregator (NBFC-AA)
(D) Non-Operative Financial Holding Company (NOFHC)

Oct/Nov 2010

79. Consider the following statements regarding Infrastructure Finance Companies (NBFC-IFC):
I. They must have a minimum credit rating of 'A' issued by any SEBI-registered Credit Rating Agency.
II. They must maintain a CRAR of 15 per cent.
III. They must have a minimum Tier I capital of 10 per cent.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only

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(D) I, II, and III

May/June 2017

80. Consider the following statements regarding the Large Exposure Framework (LEF) and Internal Exposure limits:

I. LEF is introduced for NBFCs placed in the Upper Layer.

II. Board of NBFC-UL shall determine internal exposure limits on important sectors.

III. Board of NBFC-UL must put in place an internal Board approved limit for exposure to the NBFC sector.

IV. A sub-limit within the commercial real estate exposure ceiling shall be fixed for land acquisition.

V. LEF guidelines will not incorporate regulatory reporting limits.

Which combination of statements is correct?

(A) I, II, III, and IV only

(B) II, III, IV, and V only

(C) I, III, IV, and V only

(D) I, II, III, IV, and V

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ANSWERS

1. (A) Only I
Non-Banking Financial Companies play a crucial role in providing credit to unbanked sectors. Microfinance institutions bridge the gap between formal banking and informal lenders. Contrary to misconceptions, these entities are permitted to finance various assets including second-hand vehicles. This flexibility allows them to cater to diverse financial needs across the economy, especially in rural markets.

2. (C) The top ten eligible NBFCs in terms of asset size shall always reside in the Top Layer.
The regulatory structure for non-banking financial companies categorizes entities into four layers based on size and risk. The top layer is meant to remain empty unless specific risks arise. While the upper layer houses the top ten largest entities, they do not automatically move to the top layer unless explicitly identified by the regulator.

3. (C) 01-10-2022
The Reserve Bank of India introduced a revised scale-based regulatory framework to enhance the oversight of non-banking financial companies. This framework categorizes entities based on their asset size and potential systemic risk. The effective date for implementing these comprehensive guidelines across the financial sector was October first, two thousand twenty-two, ensuring a transition period.

4. (A) P-4, Q-3, R-1, S-2
Regulatory guidelines specify different provisioning rates for various asset categories in the upper layer. Loans for individual housing and small enterprises carry a lower provision of zero point twenty-five percent. Commercial real estate residential housing requires zero point seventy-five percent, while other real estate needs one percent. All other loans follow a standard rate of zero point forty percent.

5. (B) An NBFC with NOF of Rs. 300 crore or more that invests in PPP projects
Infrastructure Debt Fund NBFCs are specialized financial entities designed to facilitate long-term debt flow into infrastructure projects. These companies must maintain a minimum net owned fund of three hundred crore rupees. Their primary business involves investing in debt securities or providing loans to projects under public-private partnerships that have completed at least one year of operation.

6. (B) II, III, I
Base layer non-banking financial companies are required to align their non-performing asset classification norms with commercial banks in a phased manner. The transition involves a chronological reduction in the overdue period threshold. The process begins with a limit of over one hundred fifty days, followed by over one hundred twenty days, and finally reaching ninety days.

7. (B) Industrial activity and agriculture activity
The legal definition of a non-banking financial company excludes institutions whose principal business involves specific non-financial activities. Entities primarily engaged in industrial operations, agricultural activities, or the sale and purchase of goods and services are not classified as such. This distinction ensures that regulatory focus remains on financial intermediation and credit provision rather than physical production sectors.

8. (B) Standalone Primary Dealers (SPDs)
The base layer of the regulatory structure consists of non-deposit taking entities with asset sizes below one thousand crore rupees. It also includes specific categories like peer-to-peer lending platforms and account aggregators. However, standalone primary dealers are considered systematically important and are thus categorized within the middle layer rather than the base layer for regulatory purposes.

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9. (B) Public deposits, bank finance, and commercial papers, excluding 5-year CCIs
Public funds encompass various types of liabilities raised by non-banking financial companies from the market or financial institutions. This includes public deposits, bank finance, and commercial papers. However, certain instruments like compulsorily convertible instruments with a tenure not exceeding ten years are excluded. This definition helps in determining the regulatory requirements and classification of the financial entity's operations.

10. (C) No NBFC shall commence business without obtaining a certificate of registration and having the specified net owned fund.
Under the Reserve Bank of India Act, every non-banking financial company must fulfill two mandatory conditions before commencing operations. They must obtain a certificate of registration from the central bank and maintain the minimum prescribed net owned fund. Operating without these requirements is a violation of the statutory framework, regardless of the asset size or nature of business.

11. (D) Pillar 2 capital is not insisted upon, but they must make realistic risk assessments
For entities in the middle layer, the internal capital adequacy assessment process is a vital management tool. While the regulator does not strictly insist on maintaining specific Pillar two capital reserves as required for commercial banks, boards are expected to conduct realistic assessments. They must ensure that the capital held is sufficient to cover all material risks.

12. (C) By using simpler processes and flexible terms for unorganized sectors
Non-banking financial companies contribute significantly to financial inclusion by reaching segments often ignored by traditional banks. Their success stems from utilizing simplified documentation processes and offering flexible repayment terms tailored to small-scale borrowers. This approach enables the unorganized sector to access formal credit, thereby promoting economic growth at the grassroots level and supporting underserved populations.

13. (D) I, II, III, IV, and V
The middle layer of the regulatory framework encompasses various significant financial entities. This includes all deposit-taking companies, core investment companies, and housing finance companies. Furthermore, while infrastructure finance companies are categorized within this layer, non-operative financial holding companies are strictly categorized within the base layer. This classification ensures that these systemically important entities are subject to appropriate levels of supervision.

14. (C) NBFC-IFC – Minimum CRAR of 15% (with minimum Tier I capital of 10%)
Infrastructure Finance Companies are subject to specific capital adequacy requirements to ensure financial stability. They must maintain a capital to risk-weighted assets ratio of fifteen percent. Within this total, the Tier one capital must not fall below ten percent. Other categories like microfinance institutions have different net owned fund requirements depending on their geographical area of operation.

15. (D) 0.40 per cent
Standard asset provisioning for teaser housing loans in the upper layer follows a specific schedule. High provisions are required during the initial period of lower interest rates. However, once the rates are reset to higher levels and the accounts remain standard for one year thereafter, the provision rate is reduced to the general standard asset level of zero point forty.

16. (A) Depositor protection, consumer protection, and financial stability
The regulatory oversight of the non-banking financial sector is driven by three fundamental objectives. Protecting the interests of depositors and ensuring fair treatment of consumers are paramount. Additionally, the regulator aims to maintain overall financial stability by monitoring the systemic risks posed by these entities. This focus helps create a robust and reliable financial ecosystem for all.

17. (B) Rs. 5 crore
Microfinance institutions operating in the North Eastern region are provided with a specific glide path to meet minimum net owned fund requirements. By the end of March twenty-seven,

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these entities must reach a threshold of five crore rupees. This phased increase ensures that smaller institutions have sufficient time to strengthen their capital base while continuing to serve rural communities.

18. (A) I and II only
Specialized financial entities have expanded their reach significantly, particularly in the gold loan segment, with numerous branches in semi-urban areas. They also play a vital role in affordable housing by offering simplified documentation and KYC processes. Furthermore, these companies are major providers of credit for construction equipment and working capital, contrary to the idea that they avoid these.

19. (A) P-3, Q-1, R-2, S-4
Different types of financial companies are assigned to regulatory layers based on their function and systemic importance. Account aggregators are placed in the base layer. Standalone primary dealers reside in the middle layer. Investment and credit companies can be in any layer depending on asset size, while deposit-taking entities are always in the middle or upper layers.

20. (D) I, II, III, and IV
Regulatory norms mandate that applicable financial companies maintain a minimum capital ratio of fifteen percent of risk-weighted assets. Tier one capital must remain at least ten percent. Specific categories like microfinance and infrastructure firms have tailored norms. Additionally, companies primarily involved in gold loans are required to maintain a higher Tier one capital ratio of twelve percent.

21. (C) Assertion (A) is true, but Reason (R) is false.
To mitigate risks associated with stock market speculation, a regulatory ceiling of one crore rupees per borrower has been established for financing subscriptions to initial public offerings. While this is the maximum limit, individual boards are permitted to set more conservative internal limits. The regulation acts as a cap rather than a mandatory floor for all financial institutions.

22. (B) Issuing currency notes to stabilize the local rural economy
Non-banking financial companies contribute to economic growth through resource mobilization and capital formation. They provide specialized long-term credit and help develop financial markets. However, they do not have the authority to issue currency notes, as this is a sovereign function performed exclusively by the central bank. Their role is limited to financial intermediation and providing credit facilities.

23. (D) Merchant Banking Companies – IRDA
To avoid dual regulation, certain financial entities are exempt from registering with the central bank if they are regulated by other statutory bodies. Venture capital funds and merchant banking companies are overseen by the market regulator. While housing finance companies fall under the national housing bank, merchant banks are specifically regulated by SEBI.

24. (D) I, II, and III
Investment and credit companies must follow a prescribed glide path to increase their net owned funds. Currently, the requirement stands at two crore rupees. This threshold is scheduled to rise to five crore rupees by the end of March twenty-five. Ultimately, these entities must maintain a minimum capital base of ten crore rupees by the end of March twenty-seven.

25. (B) NBFC-BL
Under the revised scale-based regulatory framework, nomenclature is determined by asset size and systemic importance. Non-deposit taking entities with assets ranging from five hundred crore to less than one thousand crore rupees are categorized in the base layer. These entities, formerly known as systemically important, now follow the reporting and compliance norms established for base layer financial companies.

26. (D) Prohibiting deposits and filing winding-up petitions
The central bank possesses extensive statutory powers to take action against entities that violate financial regulations or compromise depositor interests. If a company accepts deposits illegally, the regulator can issue orders prohibiting them from accepting further deposits. Additionally, the regulator is empowered to file petitions for

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the winding up of such companies to protect the system.

27. (B) >120 days overdue – By March 31, 2025
Base layer entities must gradually align their asset classification standards with stricter norms. The transition requires identifying loans as non-performing when they are overdue by more than one hundred twenty days by the end of March twenty-five. This phased approach allows smaller firms to adjust their systems and capital requirements before reaching the final threshold.

28. (C) Rs. 2 crore
To ensure financial stability and commitment, the regulator prescribes a minimum capital requirement for starting a financial business. Unless a specific higher or lower limit is defined for a particular category, the standard minimum net owned fund required is two crore rupees. This entry barrier ensures that only serious and sound players operate within the sector.

29. (C) Assertion (A) is true, but Reason (R) is false.
The regulatory framework defines customer interface as any interaction between a financial entity and its clients during business operations. This distinction is crucial for classification. Entities that do not avail of public funds and lack any direct customer interaction are generally placed in the base layer. They are not categorized in the middle layer.

30. (C) 75 per cent
To qualify as an infrastructure finance company, an entity must satisfy specific asset composition and capital criteria. A primary requirement is that at least seventy-five percent of its total assets must be deployed as loans to infrastructure sectors. This ensures the company's principal business remains focused on large-scale developmental projects while maintaining a substantial net owned fund.

31. (C) It is strictly not allowed.
Regulatory guidelines place strict restrictions on the investment activities of financial companies owned by a non-operative financial holding company. Such companies are prohibited from investing in the equity or debt instruments of other financial entities within the same group. This prevents the circular flow of capital and ensures that the financial stability of the subsidiary remains uncompromised.

32. (C) Both I and II
The fair practices code mandates transparency and clarity in the loan application process. Financial companies must ensure all communications are in a language understood by the borrower, typically the local vernacular. Additionally, the application form must clearly list all required documentation. These measures are designed to protect borrowers and ensure they are fully informed about the process.

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33. (A) P-1, Q-1, R-2, S-2
Exposure limits for financial companies are calculated based on their Tier one capital. For a single borrower or party, the combined limit for both lending and total exposure is twenty-five percent. When dealing with a group of borrowers, the ceiling for both lending and total exposure is increased to forty percent. These limits prevent excessive concentration and risk.

34. (D) I, II, III, IV, and V
Banks can provide credit to financial companies for rediscounting bills related to commercial vehicles under specific conditions. The bills must be drawn by manufacturers on dealers and represent genuine sales, verified via engine or chassis numbers. Banks are also required to verify the bona fides and track record of the financial companies involved to ensure total transparency.

35. (A) Disclose covenant breaches and defaults in Annual Financial Statements
Financial transparency is a key requirement for middle and upper layer entities. If a company breaches its loan covenants or defaults on its obligations, these incidents must be clearly disclosed in the annual financial statements. This ensures that investors, regulators, and other stakeholders are fully aware of the entity's health and any potential risks.

36. (A) Define terms, selection criteria, product lines, and segregation of duties
Under the co-lending model, the master agreement serves as the foundational document governing the partnership between a bank and a financial company. It outlines the specific selection criteria for loans, the types of product

lines to be offered, and the segregation of duties. This clear division of responsibilities and risk-sharing ensures operational efficiency for both parties.

37. (A) I, II, and III only
Upper layer entities are subject to enhanced regulatory standards similar to banks. They must maintain a common equity Tier one capital of nine percent and adhere to specific leverage requirements. Furthermore, they are required to hold differential provisioning for various classes of standard assets. These measures are designed to ensure that large entities have adequate capital buffers.

38. (D) Implement a Board-approved compensation policy and a Remuneration Committee
To prevent excessive risk-taking driven by short-term incentives, large financial companies must implement a structured compensation framework. This requires a board-approved policy that aligns executive pay with long-term goals and risk management. Additionally, a remuneration committee must be established to oversee the implementation of these policies and ensure that variable pay components are appropriately balanced.

39. (A) P-3, Q-1, R-4, S-2
Several types of financial entities are exempt from registration with the central bank as they are governed by other statutes. Insurance companies are regulated under the Insurance Act, while Nidhi companies fall under specific sections of the Companies Act. Stock broking firms are registered with the securities regulator, and housing finance companies are overseen by the housing bank.

40. (D) Disbursements for real estate projects must be made only after the borrower has obtained requisite clearances from government authorities.
Financial companies must adhere to strict guidelines when lending for real estate projects to ensure project viability and legal compliance. Disbursements of loan amounts can only be made after the borrower has obtained all necessary clearances and approvals from government authorities. This prevents the funding of unauthorized constructions and protects the financial company from potential credit risks.

41. (B) Banks are allowed to enter into a co-lending arrangement with an NBFC belonging to the promoter Group.
The co-lending model guidelines include specific restrictions to prevent conflicts of interest and ensure arms-length transactions. Banks are strictly prohibited from entering into co-lending arrangements with any financial company that belongs to the same promoter group. Other requirements, such as complying with know-your-customer norms and performing due diligence on third-party arrangements, remain essential components of the framework.

42. (A) I, II, IV, and V only
Certain investments and loans are excluded when calculating concentration limits for financial companies. This includes investments in subsidiaries and group companies to the extent they are already deducted from owned funds for capital calculation. The book value of debentures and outstanding loans to such group entities is also excluded. These exclusions prevent double-counting of existing risks.

43. (B) A glide path of 3 years with effect from October 01, 2022.
To modernize operations and improve reporting, financial companies with ten or more branches are required to adopt a core banking solution. The regulator has provided a three-year glide path starting from October first, twenty-two, to complete this implementation. This transition allows entities to upgrade their technological infrastructure and integrate their branch networks effectively.

44. (D) Both (A) and (B)
Key managerial personnel in middle and upper layer entities are restricted from holding positions in other similar financial companies. Specifically, they cannot hold office in any other middle or upper layer non-banking financial company, except when serving on the board of a subsidiary. This restriction ensures that senior executives dedicate their full attention to their primary institution.

45. (C) No, lending to individuals for IPOs or secondary markets is ineligible for credit
Banks are restricted from providing credit to financial companies for certain speculative

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activities. Specifically, financing individuals for the purpose of subscribing to initial public offerings or purchasing shares from the secondary market is considered an ineligible activity for bank finance. This regulation aims to limit the flow of bank funds into volatile equity markets and maintain discipline.

46. (B) The concentration limits are determined with reference to the NBFC's Owned Fund instead of their Tier 1 capital.
The revised regulatory framework has updated the methodology for determining concentration limits. These limits are now calculated based on the entity's Tier one capital rather than its owned fund. Additionally, the previously separate limits for lending and investments have been merged into a single exposure limit, which stands at twenty-five percent for single parties.

47. (B) Ceiling withdrawn; banks may extend need-based working and term loans
The historical ceiling that restricted bank credit to a multiple of a financial company's net owned fund has been withdrawn. Currently, banks have the flexibility to extend credit to these companies based on their own assessment of the company's requirements. This allows for need-based funding for activities such as asset financing, lending, factoring, and various investments.

48. (B) Exposure to capital market (direct and indirect) and commercial real estate.
Sensitive sector exposure refers to credit provided to areas of the economy that are prone to high volatility and risk. In the context of financial regulations, this specifically includes both direct and indirect exposures to the capital market and the commercial real estate sector. Regulated entities must monitor these exposures closely to prevent potential systemic financial shocks.

49. (A) Acknowledgement should indicate the timeframe for the disposal of the application
As part of the fair practices code, financial companies are encouraged to provide a formal acknowledgement for all loan applications. This communication should ideally include a specific timeframe within which the application will be processed and disposed of. This practice enhances transparency and provides borrowers with a clear expectation regarding the timeline for receiving a credit decision.

50. (C) Both I and II
Financial companies are required to strengthen their internal oversight by appointing a chief compliance officer. This individual must hold a senior position within the organization's hierarchy to ensure effective independence. Furthermore, the company's board must approve a formal policy that clearly delineates the roles and responsibilities of the compliance officer in managing risks.

51. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
In a co-lending arrangement with a prior irrevocable commitment, the partner bank is obligated to take its share of loans. Because this involves a commitment of bank funds, the credit sanctioning process cannot be outsourced to the financial company. The bank must conduct its own thorough due diligence before the loans are originated to ensure they meet standards.

52. (C) Both I and II
Infrastructure finance companies are granted additional flexibility in their exposure limits to support large-scale projects. They are permitted to exceed the standard concentration norms by five percent of their Tier one capital for single borrowers. For groups of borrowers, the additional headroom is ten percent. These allowances facilitate the substantial funding requirements characteristic of the development sectors.

53. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Non-banking financial companies are mandated to establish a risk management committee to oversee their risk profile. This committee can be formed at either the board or executive level and is responsible for evaluating various risks, including liquidity. While these committee functions are essential, their specific reporting duty to the board is distinct from their initial regulatory establishment reason.

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54. (B) Restricted to the extent of their Net Owned Fund (Rs. 15 crore).
Residuary non-banking companies are subject to specific restrictions regarding the amount of credit they can obtain from banks. Their total bank finance is capped at an amount equivalent to their net owned fund. For an entity with fifteen crore rupees in funds, the bank credit cannot exceed this same amount. This limit ensures a balanced ratio.

55. (D) I, II, III, and IV
Corporate governance for financial companies involves several key mandates. Boards must define the roles of various committees and establish review calendars. Implementing a whistle blower mechanism and ensuring good practices in subsidiaries are also required. Additionally, companies with ten or more branches must adopt a core banking solution to ensure centralized and transparent management of financial operations.

56. (B) 5 per cent
To support the financing of critical infrastructure, such as highways, the regulatory framework allows for certain relaxations in credit concentration. A financial company can exceed the prescribed single-party exposure limit by an additional five percent if the loan is specifically for an infrastructure project. This provision enables the financing of high-value projects that might otherwise exceed prudential limits.

57. (A) Need-based credit to Stock Broking Companies for shares held as stock-in-trade
While most loans for speculative purposes are ineligible for bank finance, an exception exists for stock broking companies. Banks can provide need-based credit to these entities specifically for financing shares held as stock-in-trade. In contrast, unsecured inter-corporate deposits and general investments in shares of other companies remain ineligible for bank funding under guidelines.

58. (D) I, II, and III
The large exposure framework is a specialized set of guidelines applicable to entities in the upper regulatory layer. Boards of these companies are responsible for setting internal limits on credit extended to important sectors. This includes establishing specific sub-limits for commercial real estate, particularly for the financing of land acquisition, to ensure that exposures are well-diversified.

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59. (C) Current assets in the balance sheet intended to be held for under one year
For the purpose of financial reporting and bank credit assessment, current investments are defined by their intended holding period. These are assets appearing in the balance sheet that the company intends to hold for less than one year. This classification distinguishes them from long-term investments and is crucial for determining the liquidity profile.

60. (B) Restriction to directorship on the Boards of NBFC-BLs – Limited to a maximum of two NBFC-BLs
Governance rules limit independent directors to serving on a maximum of three boards within the middle and upper layers simultaneously. The board must also ensure there are no conflicts of interest. However, there is no specific regulatory restriction stating that an individual is limited to only two boards of base layer companies. Compliance with these limits is required within years.

61. (C) A direct assignment transaction.
In a co-lending arrangement where the bank retains the right to evaluate and decide whether to take individual loans into its books, the transaction is treated differently. Instead of a prior commitment, this discretionary model is considered equivalent to a direct assignment. In such cases, the bank essentially purchases the loan.

62. (A) Minimum Holding Period (MHP)
When a co-lending arrangement is treated as a direct assignment because the bank exercises discretion, it is exempted from the standard minimum holding period requirement. However, the bank must still perform its own ex-ante due diligence and ensure full compliance with know-your-customer norms. This exemption facilitates the smooth transfer of assets between the financial company and bank.

63. (A) Banks may finance NBFCs against second-hand assets based on experience
Banks are permitted to extend finance to non-banking financial companies against the security of second-hand assets. This decision is left to the bank's discretion and is typically based on their experience with the borrower and the asset class. This flexibility allows for the financing of pre-owned commercial vehicles and other equipment, supporting broader credit availability.

64. (A) I, II, and III only
Base layer companies must establish a risk management committee, which can function at either the executive or board level. This committee's primary duty is to assess the various risks the company faces, with a specific focus on evaluating liquidity risk. These internal controls are essential for ensuring a structured approach to identifying threats.

65. (C) No, banks cannot enter CLM deals with NBFCs in the same promoter group
To maintain transparency and prevent systemic risks within corporate groups, the regulator prohibits banks from entering into co-lending arrangements with financial companies that share the same promoter. This restriction ensures that such partnerships are based on genuine business needs and market terms. It protects the integrity of the bank's credit sanctioning process and overall financial health.

66. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Unsecured loans and inter-corporate deposits provided by financial companies to other entities are not eligible for bank funding. This rule exists because the regulator wants to prevent banks from indirectly financing unsecured exposures that do not have adequate collateral. By restricting this type of credit, the central bank ensures that bank funds are used more safely.

67. (A) P-1, Q-2, R-3, S-4
The scale-based regulatory framework uses specific nomenclature to categorize entities. NBFC-BL refers to those in the base layer. NBFC-ML covers middle layer companies, which include systemically important non-deposit taking entities. NBFC-UL includes the largest entities requiring enhanced supervision. Finally, NBFC-ND is a general term for companies that are not permitted to accept any public deposits.

68. (B) Primary business is agricultural activity or industrial activity
While most financial entities must register with the central bank, companies whose principal business is not financial in nature are exempt. Specifically, if an institution's primary activity is agriculture or industrial production, it does not fall under the definition of a non-banking financial company. These entities are governed by other sectoral laws rather than the RBI Act.

69. (D) A whistle blower mechanism for directors and employees to report genuine concerns
To foster a culture of transparency and accountability, financial companies must implement a formal whistle blower mechanism. This system allows employees and directors to report financial irregularities or unethical behavior without the fear of retaliation. Having such a mechanism in place is a mandatory requirement of good corporate governance, ensuring that internal concerns are addressed through proper channels.

70. (A) I, II, and III only
Annual financial statements of financial companies must include comprehensive disclosures to inform stakeholders. This involves a corporate governance report detailing the board's composition and categories of directors. Additionally, any modified opinions from auditors and their potential impact must be noted. Items of exceptional income or expenditure also require clear disclosure to provide an accurate picture of performance.

71. (D) Growth in sector size, complexity, and systemic interconnectedness
The non-banking financial sector has evolved significantly, becoming more complex and deeply integrated with the broader financial system. The growth in asset size and the potential for systemic risk prompted the regulator to align the regulatory framework more closely with that of commercial banks. This shift ensures that supervision is proportionate to the risk and scale involved.

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72. (A) I, II, III
The regulatory transition for investment and credit companies follows a structured timeline. First, the scale-based regulatory structure was implemented. This is followed by a phased increase in capital requirements, with the first target set at five crore rupees. The final stage of the current glide path requires these entities to reach a minimum capital base.

73. (C) One hundred crore rupees
Under the Reserve Bank of India Act, the regulator has the authority to set the minimum net owned fund required for the commencement of a financial business. While the current standard may be lower, the statute empowers the central bank to specify a requirement of up to one hundred crore rupees through a notification in the Official Gazette.

74. (D) I, II, III, IV, and V
Effective governance in financial companies requires the board to perform several critical functions. These include defining the audit committee's role, setting review calendars, and ensuring ethical practices in subsidiaries. Furthermore, the implementation of a whistle blower mechanism and adhering to limits on independent directorships across multiple companies are essential components of the comprehensive regulatory standards for governance today.

75. (A) It is not applicable up to the extent specifically permitted, in writing, by the RBI.
While general concentration limits apply to equity investments, an exception is made for financial companies investing in the capital of insurance firms. In these instances, the standard ceiling may not apply, provided the entity has obtained specific written permission from the central bank. This allows for strategic partnerships in the insurance sector while still maintaining regulatory oversight.

76. (B) II and III only
Microfinance institutions are specialized entities that must maintain at least seventy-five percent of their total assets as microfinance loans. These entities have specific capital requirements to ensure they are adequately funded to serve low-income borrowers. According to specific provisions, the minimum net owned fund requirement for those operating in the North Eastern region is established at five crore.

77. (C) Fix Board-approved internal limits for SSE based on dynamic vulnerability assessments
Managing exposure to sensitive sectors like the capital market and real estate requires a proactive approach. Financial companies in the upper layer are expected to establish internal limits that are approved by their board. These limits should be based on a thorough assessment of market vulnerabilities and the entity's risk appetite and assessment.

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78. (B) Core Investment Companies (CICs)
Certain categories of financial companies are automatically assigned to the base layer regardless of their asset size. These include peer-to-peer lending platforms and account aggregators. Non-operative financial holding companies also reside in this layer. However, core investment companies are an exception; they are classified within the middle layer due to their unique role and systemic impact.

79. (A) I and II only
Infrastructure finance companies must maintain a high credit rating of at least 'A' from a recognized agency to demonstrate their creditworthiness. They are also required to adhere to a capital to risk-weighted assets ratio of fifteen percent. These stringent requirements ensure that these companies, which fund national projects, remain resilient.

80. (A) I, II, III, and IV only
The large exposure framework is a key regulatory tool for managing risk in upper layer entities. Boards must establish internal limits for important sectors and for exposure to the non-banking financial sector itself. Additionally, specific sub-limits are required for commercial real estate, specifically concerning land acquisition. These measures are designed to prevent over-concentration of credit.

CHAPTER 07

Financial Sector Legislative Reforms & Financial Stability and Development Council

Oct/Nov 2014

1. Arrange the following milestones in the financial sector legislative reforms in chronological order from earliest to latest:

I. Submission of the Financial Sector Legislative Reforms Commission (FSLRC) report
II. Setting up of the Committee on the Financial System (CFS)
III. Constitution of the Financial Sector Legislative Reforms Commission (FSLRC)
IV. Setting up of the Committee on Banking Sector Reforms

Which of the following shows the correct chronological order?

(A) II, IV, I, III
(B) II, IV, III, I
(C) IV, II, III, I
(D) II, III, IV, I

May/June 2021

2. Among the measures intended to enhance the role of market forces in the banking sector, which of the following specifically addresses the short-term liquidity management needs of banks?

(A) Introduction of market-determined pricing for government securities
(B) Introduction of a centralized credit allocation system for all priority sectors
(C) Introduction of pure inter-bank call money market, auction-based repos, and reverse-repos
(D) Issuance of equity shares by public sector banks

Oct/Nov 2007

3. How did the Narasimham Committee 1 (1991) characterize the then-prevailing high Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) aggregating to 53.5%?

(A) A buffer for economic stability
(B) A necessity for priority sector lending
(C) A Tax on the Banking System
(D) An instrument of sovereign borrowing

May/June 2009

4. According to the enactment in 2016, which law was established to "amend the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of value of assets of such persons"?

(A) The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act
(B) The Payment and Settlement System Act
(C) The Insolvency and Bankruptcy Code
(D) The Banking Regulation (Amendment) Act

Oct/Nov 2025

5. The banking sector reforms introduced several competition-enhancing measures. All of the following were part of these measures, EXCEPT:

(A) Granting operational autonomy to public sector banks
(B) Imposing a complete ban on foreign direct investment in the financial sector
(C) Allowing public sector banks to raise capital from the equity market up to 49 percent of paid-up capital
(D) Establishing transparent norms for the entry of Indian private sector, foreign, and joint-venture banks

May/June 2015

6. To facilitate quicker recovery and restructuring of stressed assets, several institutional structures

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were established under the banking sector reforms. Consider the following:
I. Lok Adalats (people's courts)
II. Debt Recovery Tribunals
III. Asset Reconstruction Companies
Which of the above were set up for this specific purpose?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2022

7. When was the Committee on the Financial System (CFS), also known as the first Narasimham Committee, set up by the Government of India?
(A) August 1991
(B) November 1991
(C) December 1997
(D) April 1998

May/June 2023

8. Match the banking entities/reforms in List I with their corresponding details in List II.
List I: (Banking Entities/Reforms)
P. Large banks nationalized in 1969
Q. Post-1991 private sector entrants
R. Foreign bank subsidiary investment limit
S. Target of competition-enhancing measures
List II: (Details)
1. Maximum of 74 per cent of paid-up capital
2. 14 banks
3. HDFC, ICICI, UTI, IDBI
4. Differentiated banks / small finance banks
(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2011

9. The prudential measures implemented under the banking sector reforms included several strategic initiatives. Consider the following list:
I. Phased implementation of international best practices on risk-weighted capital adequacy
II. Application of the marked-to-market principle for the investment portfolio
III. Introduction of capital charge for market risk
IV. Introduction of prudential IRAC norms for income recognition and asset classification
V. Complete elimination of all premature withdrawal conditions on fixed deposits mandated by RBI
Which of the following were part of these prudential measures?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2006

10. The following question consists of two statements – Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Following the Global Financial Crisis in 2008, it was realized that financial sector reforms in India needed to continue with constant improvements in regulation and supervision.
Reason (R): The Indian financial system weathered the 2008 Global Financial Crisis fairly well, leading to the belief that existing structures were completely immune to new vulnerabilities.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

11. Which of the following represents a key shift in the supervisory measures adopted for commercial banks, financial institutions, and NBFCs?
(A) Transition from risk-based supervision to a flat regulatory fee structure for all banks
(B) Elimination of the Board for Financial Supervision in favor of industry self-regulation
(C) Reducing the role of statutory auditors to minimize compliance costs for new entities
(D) Move towards risk-based supervision and consolidated supervision of financial conglomerates

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May/June 2022

36. A new hybrid financial product is introduced in the market that involves features of both a mutual fund and an insurance policy. Both SEBI and IRDAI issue conflicting regulatory guidelines over the product, creating risk legal arbitrage and confusion among market participants. To ensure better efficiency and avoid this overlapping of regulatory functions, which apex level forum is mandated to facilitate inter-regulatory coordination and resolve such systemic issues?
(A) The Financial Sector Development Council (FSDC)
(B) The Board for Financial Supervision
(C) The Clearing Corporation of India Limited
(D) The Financial Sector Legislative Reforms Commission

Oct/Nov 2017

37. The Government of India introduced the 'Enhanced Access & Service Excellence' (EASE) reform program. Which of the following statements regarding the EASE initiative is an exception (i.e., incorrect)?
(A) The initiative concluded permanently with EASE 1, with no subsequent iterations being launched.
(B) EASE 1 was introduced in January 2018 to institutionalize clean and smart banking in PSBs.
(C) It represents a comprehensive reforms agenda required to be put in place in a time-bound manner.
(D) Ease 5.0 was recently launched on June 8, 2022.

May/June 2019

38. Identify the incorrect pairing regarding the transformations in the Capital Market:
(A) Open outcry system – Replaced by screen-based trading
(B) Controller of Capital Issues (CCI) regime – Replaced by free pricing and book-building system
(C) Physical securities – Replaced by dematting with a depository system
(D) 14-day settlement cycle – Replaced by the Badla System

Oct/Nov 2024

39. An Indian software export company earns a substantial amount of revenue in US Dollars. To hedge against transaction costs and exchange rate volatility for its upcoming import payments, the company decides not to convert its entire dollar earnings into Indian Rupees immediately. Instead, it parks the foreign currency in a designated bank account permitted under the reformed forex framework. Which specific type of account is the exporter utilizing?
(A) Nostro Account
(B) Foreign Currency Non-Resident (Bank) Account
(C) Special Drawing Rights (SDR) Account
(D) Exchange Earner's Foreign Currency (EEFC) Account

May/June 2010

40. On which date did the Reserve Bank of India introduce the Tri-Party REPO, replacing the Collateralized Borrowing and Lending Obligation (CBLO)?
(A) 10th August 2017
(B) 1st April 2019
(C) 8th April 2022
(D) 16th May 2012

Oct/Nov 2013

41. One of the key functions of the FSDC is the monitoring of "macro-prudential supervision of the economy." In the context of FSDC's mandate, what does this specific function primarily include?
(A) Conducting statutory audits of individual rural bank branches
(B) Overseeing the functions and risks of large financial conglomerates
(C) Determining retail interest rates on local savings bank accounts
(D) Managing the direct foreign exchange interventions in spot markets

May/June 2008

42. Reflecting the increasing development of the financial market and greater liberalization, how has the intermediate target of monetary policy evolved?
(A) The use of broad money has been strictly enforced as the sole intermediate target for stability.
(B) A single-indicator approach focused

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May/June 2005

18. Which of the following correctly identifies a major recommendation of the Narasimham Committee 2 (1998)?
(A) Treating sticky advances guaranteed by the Government as Non-Performing Assets
(B) Lowering the Capital to Risk-Weighted Assets Ratio to facilitate higher credit lending
(C) Increasing interest subsidies for the priority sector to boost rural credit availability
(D) Abolishing the concept of Asset Reconstruction Companies for resolution of stressed assets

Oct/Nov 2016

19. What was the Capital to Risk Weighted Assets Ratio (CRAR) of scheduled commercial banks (SCBs) as of March 2019, and what was the corresponding regulatory requirement?
(A) Stood at 14.2 per cent against a requirement of 9.0 per cent
(B) Stood at 9.0 per cent against a requirement of 14.2 per cent
(C) Stood at 10.0 per cent against a requirement of 8.0 per cent
(D) Stood at 12.0 per cent against a requirement of 10.5 per cent

May/June 2014

20. Identify the correct pairing regarding the competition-enhancing measures in the banking sector:
(A) Migration to CBS – Technology-driven competition enhancing measure
(B) VRS introduction – Year 1991
(C) Peak NPA levels before 2008 – Slightly over 2%
(D) Foreign bank subsidiary cap – Maximum 49% foreign investment

Oct/Nov 2006

21. Match the supervisory and technological initiatives in List I with their descriptions in List II.
List I: (Supervisory and Technological Initiatives)
P. INFINET
Q. NDS
R. CAMELS
S. EASE
List II: (Descriptions)
1. Supervisory rating system
2. Screen-based trading in government securities
3. Communication backbone for the financial sector
4. Comprehensive reforms agenda for clean and smart banking
(A) P-3, Q-2, R-1, S-4
(B) P-1, Q-4, R-3, S-2
(C) P-2, Q-3, R-4, S-1
(D) P-4, Q-1, R-2, S-3

May/June 2017

22. A public sector bank rapidly expands its branch network across rural and semi-urban areas without conducting thorough feasibility and potential viability studies for each location. Simultaneously, its central office supervision weakens, leading to increased un-reconciled inter-branch entries and an uptick in internal frauds. Based on the findings of the Narasimham Committee 1 (1991), what underlying systemic issue does this scenario illustrate?
(A) Efficient scaling of operations leading to temporary operational bottlenecks and reporting delays
(B) Plagues in the public sector banking system due to rapid expansion and stretched lines of command
(C) Successful implementation of directed credit programs stretching administrative and human resources
(D) Strategic deployment of personnel requiring complex reconciliation processes and oversight protocols

Oct/Nov 2005

23. The primary objectives of the committees and the FSLRC included suggesting remedial measures for strengthening the banking system. Consider the following possible contours of these reforms:
I. Removal of the existing financial repression
II. Providing operational and functional autonomy to institutions
III. Imposing stricter controls on price discovery by the central bank
IV. Preparing the financial system for increasing international competition
Which of the above statements were part of these reforms?
(A) I, II, and III only
(B) I, II, and IV only

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(C) II, III, and IV only
(D) I, III, and IV only

May/June 2020

24. A corporate borrower applies for a term loan to expand its manufacturing capacity. Under the deregulated credit processes and prudential IRAC norms, the bank's credit committee assesses the application. Instead of assigning a generic repayment schedule, the committee rigorously projects the future revenues and operational expenses of the expanded plant to determine exact repayment intervals and amounts. This approach aligns with which specific directive given by the RBI to banks regarding the granting of loans?
(A) Fixing repayment schedules strictly on the basis of the prevailing prime lending rate
(B) Aligning repayment schedules with the Countercyclical Capital Buffer requirements
(C) Matching the repayment schedule to the duration of government securities held by the bank
(D) Fixing realistic repayment schedules on the basis of availability of cash flows with borrowers

Oct/Nov 2015

25. Alpha Bank wants to secure funding for investing in specific corporate bonds and commercial papers of highly-rated companies. To do this, the bank utilizes a scheme introduced by the RBI that allows it to borrow funds on tap at the prevailing repo rate for a duration of up to 3 years. Which specific scheme, designed to enhance the role of market forces and infuse liquidity, is Alpha Bank utilizing?
(A) Market Stabilization Scheme
(B) Targeted Long Term Repo Operations Scheme
(C) Liquidity Adjustment Facility
(D) Standing Deposit Facility

May/June 2013

26. Regarding the findings of the Narasimham Committee 1 (1991) on Directed Credit Programs, which statement is incorrect?
(A) It led to the overlooking of qualitative aspects of credit.
(B) It resulted in a deterioration in the quality of the loan portfolio.
(C) It involved inadequate appraisal of credit applications and non-insistence on collateral.
(D) It ensured stringent post-credit supervision and monitoring.

NODIA

Oct/Nov 2021

27. Which of the following is a correct pairing of the institutional measure with its designated function?
(A) Clearing Corporation of India Limited (CCIL) – Central counter party for fixed income securities and money market instruments
(B) Credit Information Bureau of India Limited (CIBIL) – Primary counter party for facilitating all inter-bank payments and settlements
(C) Lok Adalats – Apex judicial forum for asset reconstruction and enforcing securities interest without borrower consent
(D) Debt Recovery Tribunals – National database for comprehensive information sharing on high-value defaulters and retail borrowers

May/June 2024

28. A commercial bank holds several long-standing defaulted loans that were originally guaranteed by the State Government. The bank management argues that since these advances are backed by a sovereign guarantee, they should not be classified under stringent asset quality norms or treated as non-performing. According to the regulatory shift initiated by the recommendations of the Narasimham Committee 2, how must the bank treat these specific advances?
(A) They must be treated as Non-Performing Assets (NPAs) despite the government guarantee.
(B) They must be classified as standard assets indefinitely due to the sovereign guarantee.
(C) They must be transferred to the central bank's balance sheet for resolution and audit.
(D) They must be written off completely without any provisioning or further recovery effort.

Oct/Nov 2009

29. Identify the incorrect pairing of the prudential framework introduced in Indian banks with its primary purpose or acronym:
(A) CCCB – Countercyclical Capital Buffer

(B) LCR – Liquidity Coverage Ratio
(C) IRAC – Interest Rate Administration Control
(D) NSFR – Net Stable Funding Ratio

May/June 2016

30. To enhance competition and operational flexibility, the banking reforms allowed public sector banks to reduce public ownership. What is the maximum extent to which public sector banks are allowed to raise capital from the equity market while maintaining public character?
(A) Up to 26 per cent of paid-up capital
(B) Up to 49 per cent of paid-up capital
(C) Up to 51 per cent of paid-up capital
(D) Up to 74 per cent of paid-up capital

Oct/Nov 2018

31. Monetary policy reforms involved a shift in the instruments used to conduct policy. Which of the following incorrectly describes this shift?
(A) There was a move from administered interest rates to open market operations.
(B) There was a move from reserve requirements to indirect instruments like purchase and repurchase of government securities.
(C) There was a move from selective credit control to direct instruments like statutory reserve preemptions.
(D) There was an emphasis on the development of multiple instruments to transmit liquidity and interest rate signals bi-directionally across the economy.

May/June 2007

32. Which of the following accurately describes a foundational measure of reform introduced in the Indian foreign exchange market?
(A) Adoption of a strictly fixed exchange rate arrangement tied to the US Dollar
(B) Adoption of a managed floating exchange rate arrangement
(C) Immediate and total capital account convertibility for resident Indians
(D) Complete withdrawal of the RBI from any intervention strategies in the forex market

Oct/Nov 2012

33. The RBI circular dated 14-09-2020 mandated specific technology-related requirements for banks. Consider the following measures:
I. Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks must have an IT system for NPA identification.
II. IT systems must generate related data/ returns for both regulatory reporting and the bank's own MIS.
III. Banks are increasingly entering into tie-ups with Fintech companies to expedite digital transformation.
IV. The Negotiated Dealing System (NDS) was introduced for screen-based trading in corporate equities.
Which of the above statements correctly reflect the technological measures adopted in the banking sector?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2011

34. Regarding the Financial Sector Development Council (FSDC) established by the Government of India, which of the following statements is incorrect?
(A) It was constituted in December 2010 to strengthen the mechanism for maintaining financial stability.
(B) It aims to enhance internal regulatory coordination and promote financial sector development.
(C) It seeks to coordinate among financial sector regulators to avoid overlapping of functions.
(D) It is a statutory body established under a specific Act of Parliament.

Oct/Nov 2023

35. A corporate treasury manager in the late 1990s heavily relied on the uncollateralized call money market for daily liquidity, experiencing high volatility in rates. Over the next decade, observing systemic reforms, the manager notices a massive migration of daily average trading volumes to a different, collateralized segment, resulting in significantly lower rate volatility. To which market segment did the volumes predominantly switch from the call money market?
(A) Repo and CBLO market
(B) Commercial Paper market
(C) Certificate of Deposit market
(D) Government Securities primary auction market

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price stability. The central bank needs to absorb this enduring liquidity without exhausting the securities allocated for its day-to-day short-term liquidity management operations under the LAF. Which specific monetary policy instrument should the central bank utilize to deal with this situation?

(A) Marginal Standing Facility (MSF)
(B) Market Stabilization Scheme (MSS)
(C) Selective Credit Control
(D) Statutory Liquidity Ratio (SLR)

Oct/Nov 2007

49. As part of the liberalization measures in the foreign exchange market, several permissions were granted to participants. Consider the following statements:

I. Authorized dealers were permitted to initiate trading positions and invest in overseas markets subject to Board ratification.
II. Banks were permitted to fix interest rates on non-resident deposits, subject to certain specifications.
III. Exporters and FIIs were allowed to avail forward cover and enter into swap transactions without any limit, subject to genuine underlying.
IV. Foreign exchange earners were explicitly prohibited from maintaining foreign currency accounts.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, and IV only

May/June 2009

50. Which significant structural shift occurred in the primary segment of the Government Securities (G-Sec) market effective from April 2006?

(A) Corporate entities were banned from participating in the G-Sec market.
(B) The statutory reserve requirements were entirely eliminated for primary dealers.
(C) The Reserve Bank of India ceased to participate in the primary segment of the G-Sec market.
(D) Automatic monetization through Ways and Means Advances (WMA) was reintroduced.

NODIA

Oct/Nov 2025

51. The functions of the Financial Sector Development Council (FSDC) encompass a wide range of systemic responsibilities. Consider the following:

I. To strengthen and institutionalize the mechanism for maintaining financial stability and development
II. Monitoring of macro-prudential supervision of the economy including functions of large financial conglomerates
III. To dictate and execute day-to-day monetary policy operations independent of the RBI
IV. Focus on financial literacy and financial inclusion

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2015

52. Consider the following statements regarding the instruments of monetary policy:

I. The Liquidity Adjustment Facility (LAF) operates through repo and reverse repo auctions, providing a corridor for short-term interest rates.
II. On 8th April 2022, the RBI introduced the Standing Deposit Facility (SDF) as the cap of the Policy corridor, replacing the Marginal Standing Facility (MSF).

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2022

53. Liberalization measures in the money market included a series of steps to deregulate and introduce new instruments. Consider the following instruments/measures:

I. Freeing of interest rates on call and other money market instruments
II. Introduction of Commercial Paper and Certificate of Deposit
III. Exemption of inter-bank lending from reserve requirements
IV. Introduction of rupee derivatives such as Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA)

exclusively on inflation targeting has replaced all other metrics.
(C) The use of broad money as an intermediate target has been de-emphasized, and a multiple indicator approach has been adopted.
(D) Direct credit control programs have entirely replaced broad money targeting to manage sector growth.

Oct/Nov 2024

43. A newly incorporated enterprise plans to issue equity shares to the public to raise capital. Years ago, the firm would have been subjected to primary issuance at sub-market rates mandated by a central authority. Under the reformed capital market structure, the enterprise uses a mechanism that allows market demand to discover the price of the shares, accompanied by mandatory disclosures. Which specific regulatory and structural reform enables the enterprise to discover the price in this manner?
(A) The introduction of the Ways and Means Advances system
(B) The transition to free pricing and the book-building system prescribed by SEBI
(C) The implementation of the rolling settlement cycle for all secondary market trades
(D) The adoption of the Tri-Party REPO framework for managing daily cash flows

May/June 2012

44. The following question consists of two statements – Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Following the money market reforms, the daily average volumes in the uncollateralized call money market got substantially reduced, while volumes in market repo and CBLO rose manifold.
Reason (R): The steps taken towards making the call market a pure inter-bank market effectively restricted non-bank participants, shifting their activity to collateralized segments.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2010

45. Who serves as the Chairman of the Financial Sector Development Council (FSDC)?
(A) The Governor of the Reserve Bank of India
(B) The Finance Secretary
(C) The Finance Minister
(D) The Chief Economic Adviser

May/June 2023

46. A modern commercial bank decides to completely revamp its traditional lending business model. It partners with a tech firm to implement smart contracts that automatically verify borrower credentials, disburse loans, and trigger repayments without manual intervention, thereby significantly speeding up the process. Which of the following emerging technologies, recognized as having the potential to shake up traditional banking foundations, is the bank utilizing for these smart contracts?
(A) Unified Payments Interface (UPI)
(B) Blockchain technology
(C) Negotiated Dealing System (NDS)
(D) Real-Time Gross Settlement (RTGS)

Oct/Nov 2014

47. Arrange the establishment of the following regulatory and reform milestones in chronological order from earliest to latest:
I. Constitution of the Financial Sector Legislative Reforms Commission (FSLRC)
II. Constitution of the Financial Sector Development Council (FSDC)
III. Setting up of the first Narasimham Committee (CFS)
IV. Enactment of the Insolvency and Bankruptcy Code (IBC)
Which of the following shows the correct chronological order?
(A) III, II, I, IV
(B) III, I, II, IV
(C) II, III, I, IV
(D) III, II, IV, I

May/June 2021

48. An Indian economy experiences a massive and continuous influx of foreign capital over several months. This enduring capital inflow leads to excess liquidity in the system, threatening

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May/June 2018

12. Consider the following statements regarding the observations of the Narasimham Committee 1 (1991) on interest subsidies:

I. Timely credit was considered more important than charging subsidized interest.

II. Interest subsidy in government-sponsored schemes resulted in a loss of precious profits for the banks.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2008

13. Consider the following statements regarding measures enhancing the role of market forces:

I. There was a sharp reduction in pre-emption through reserve requirements.

II. Administered interest rates were entirely disbanded without any exceptions to strictly facilitate market discipline.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2025

14. Foreign banks have been permitted to operate in India through specific channels to foster competition. Consider the following permitted channels:

I. As branches of foreign banks

II. As a wholly owned subsidiary of a foreign bank

III. As a subsidiary with aggregate foreign investment up to a maximum of 74 percent of the paid-up capital

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2019

15. A commercial bank has a large portfolio of non-performing retail and corporate loans secured by physical real estate. To expedite recovery without prolonged court intervention, the bank issues a notice to the defaulting borrowers, giving them 60 days to discharge their liabilities, failing which the bank will take possession of the secured assets. Which specific institutional and legal reform empowers the bank to take this direct action?

(A) The Insolvency and Bankruptcy Code, 2016
(B) The setup of Debt Recovery Tribunals
(C) The setup of Lok Adalats
(D) The SARFAESI Act, 2002

May/June 2012

16. Prior to the 1991 reforms, the Indian banking sector underwent severe financial repression. Which of the following best characterizes this state of financial repression?

(A) Extensive regulations, administered interest rates, directed credit programs, and weak banking structure
(B) Extensive deregulation, market-determined interest rates, and robust risk management frameworks
(C) Elimination of directed credit, strong statutory framework, and low statutory reserve requirements
(D) Autonomous operations, high profitability, and strict adherence to international capital adequacy norms

NODIA

Oct/Nov 2010

17. The following question consists of two statements – Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): Under the deregulated interest rate structures, RBI no longer prescribes interest rates on fixed or time deposits paid by banks to their depositors.

Reason (R): The structure of administered interest rates has been almost totally done away with in a phased manner to empower banks with operational flexibility in pricing.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

V. Imposition of strict administered pricing on Tri-Party REPOs

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2006

54. The following question consists of two statements – Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): Prior to the reforms, the foreign exchange market was active and vibrant with authorized dealers running extensive open positions overnight.

Reason (R): In the pre-reform era, exchange earners were required to surrender or purchase foreign exchange from the Reserve Bank at a reference rate, and trades had to be squared off by the close of the day.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

55. Government Securities, State Development Loans (SDLs), Treasury Bills (Tbills), and Cash Management Bills constitute the Government Security Market auctioned by the RBI. All of the following are mentioned as investors in these securities, EXCEPT:

(A) Foreign Direct Investor (FDI) acquiring absolute control
(B) Mutual funds
(C) Primary dealers
(D) Foreign Portfolio Investors (FPIs)

May/June 2018

56. What are the twin objectives that continue to govern the stance of monetary policy in India?

(A) Maintaining price stability and ensuring availability of adequate credit to productive sectors
(B) Maximizing export revenues and maintaining fixed exchange rates against global currencies
(C) Eliminating fiscal deficit and increasing foreign direct investment in core infrastructure
(D) Regulating cryptocurrency and promoting digital banking exclusively for urban populations

Oct/Nov 2008

57. The composition of the Financial Sector Development Council (FSDC) includes various high-level officials. Consider the following:

I. Heads of financial sector Regulators (RBI, SEBI, IRDAI, & PFRDA)
II. Finance Secretary and/or Secretary
III. Chairman of the Insolvency and Bankruptcy Board of India (IBBI)
IV. Chief Economic Adviser
V. Secretaries from the Department of Economic Affairs (DEA) and Ministry of Information Technology (MeitY)

Which of the above are members of the FSDC?

(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2025

58. How is a Tri-party repo contract conceptually defined in the context of money market operations?

(A) A repo contract where a third entity, apart from the borrower and lender, acts as an intermediary to facilitate services like collateral selection, payment and settlement.
(B) A repo contract strictly limited to two public sector banks monitored by the RBI to ensure transaction transparency and regulatory compliance.
(C) An uncollateralized borrowing agreement involving three distinct corporate entities operating within the domestic equity and debt market segments.
(D) A foreign exchange derivative product used to hedge interest rate swaps among three international banks to manage global currency volatility.

Oct/Nov 2019

59. As the foreign exchange market in India moved towards greater efficiency post-reforms, which of the following indicators became closely aligned

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Oct/Nov 2017

71. Regarding the operational dynamics of the Financial Sector Development Council (FSDC), what structural feature allows for more frequent and functional deliberation than the full Council meetings?
(A) The creation of a parallel statutory body headed by the Finance Secretary
(B) The delegation of systemic risk decisions exclusively to SEBI
(C) The mandatory monthly convening of the entire Council chaired by the Minister
(D) The functioning of the Sub-Committee chaired by the Governor of the RBI

May/June 2019

72. The FSDC has established several regulatory wings for specific systemic purposes. Consider the following list:
I. Inter regulatory technical group
II. Technical Group on Financial Inclusion and Financial Literacy
III. Inter Regulatory Forum for monitoring Financial Conglomerates
IV. Early Warning Group
V. Macro Financial Monitoring Group
Which of the following are recognized wings within the FSDC structure?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2016

73. Several groups and forums under the FSDC were established over time to address specific regulatory needs. Consider the following dates and events:
I. FSDC constitution: December 2010
II. Inter regulatory technical group (IR-TG) setup: September 2011
III. Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) setup: November 2011
IV. Early Warning Group setup: June 2012
V. Inter Regulatory Forum for monitoring Financial Conglomerates (IRF-FC) setup: August 2012
Which of the following setup dates/events are correctly associated with their respective FSDC wings?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2014

74. Consider the following statements regarding the representation within the Technical Group on Financial Inclusion and Financial Literacy (TGFIFL):
I. It includes representatives from all sectoral regulators at the level of ED/CGM.
II. It includes representatives from the Department of Economic Affairs (DEA) and Department of Financial Services (DFS) at the level of Joint Secretary.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2006

75. The regulatory bodies in India notice a persistent gap in the penetration of basic banking services and a lack of awareness regarding financial products among the rural population. To address this collectively, a specialized group comprising representatives from all regulators, DEA, and DFS convenes to formulate a nationwide coordinated strategy. Which specific wing of the FSDC is tasked with leading this initiative?
(A) Technical Group on Financial Inclusion and Financial Literacy (TGFIFL)
(B) Inter Regulatory Forum for monitoring Financial Conglomerates (IRF-FC)
(C) Early Warning Group
(D) Macro Financial Monitoring Group (MFMG)

May/June 2017

76. Consider the following statements regarding the Macro Financial Monitoring Group (MFMG):
I. It was set up on 16th May 2012 and meets regularly in DEA.
II. It is chaired by the Governor of the Reserve Bank of India.
III. It discusses the macro financial situation based on information obtained from various "anchor divisions".
Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only

NODIA

Oct/Nov 2018

65. The core functions of the Financial Sector Development Council (FSDC) include all of the following, EXCEPT:
(A) Enhancing inter-regulatory coordination
(B) Focusing on financial literacy and financial inclusion
(C) Directly issuing banking licenses to private sector applicants
(D) Maintaining financial stability and development

May/June 2007

66. The RBI constituted a High Level Working Group on resolution regime for financial institutions in January 2013. Which of the following statements about this group is incorrect?
(A) It is co-chaired by the Deputy Governor, RBI and the Secretary, Department of Economic Affairs.
(B) It lacks any mandate to recommend legislative changes for the resolution regime.
(C) It examines the current gaps in the Indian resolution framework vis-à-vis the FSB's Key Attributes.
(D) It is tasked to facilitate the required resolution regime including cross-border resolutions.

Oct/Nov 2012

67. Match the specific wings of the FSDC in List I with their primary mandate/function in List II.
List I: (Wings of the FSDC)
P. Working Group on resolution regime
Q. Macro Financial Monitoring Group (MFMG)
R. Early Warning Group
S. Inter regulatory technical group (IR-TG)
List II: (Primary Mandate/Function)
1. Identifying gaps vis-à-vis the FSB's Key Attributes
2. Routine discussion of risks to systemic financial stability and providing inputs to the Sub-committee
3. Tracking macroeconomic developments and identifying vulnerabilities based on "anchor divisions"
4. Coordinating the response of GoI/ Regulators in the time of a crisis situation
(A) P-1, Q-3, R-4, S-2
(B) P-2, Q-4, R-1, S-3
(C) P-1, Q-4, R-3, S-2
(D) P-3, Q-1, R-2, S-4

May/June 2011

68. Consider the following statements regarding the FSDC Sub-Committee:
I. It is chaired by the Governor of the RBI.
II. All the members of the FSDC are also the members of the Sub-committee.
III. All four Deputy Governors of the RBI and Additional Secretary, DEA, in charge of FSDC, are excluded from its membership.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2023

69. The Crisis Prevention and Monitoring Framework (CPMF) is designed to ensure financial stability. Consider the following:
I. Collaborating with and assisting Regulatory Authorities in identifying emerging threats.
II. Taking necessary steps in the event of a crisis to mitigate its impact on the financial markets and real sector.
III. Solely focusing on managing a crisis after it occurs, with no emphasis on preemptive analysis.
Which of the following are explicit functions outlined for the CPMF?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2022

70. Global financial markets experience a sudden, severe shock due to a geopolitical event, triggering massive capital outflows and extreme volatility in Indian equity and forex markets. The Government and various financial regulators need to act swiftly and synchronously to mitigate the immediate impact. Which specific wing within the FSDC is explicitly designed to coordinate the response of the GoI and Regulators in the time of such a crisis situation?
(A) Technical Group on Financial Inclusion and Financial Literacy
(B) Inter regulatory technical group (IR-TG)
(C) Early Warning Group
(D) FSDC Full Council

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ANSWERS

1. (B) II, IV, III, I
The financial sector legislative reforms followed a specific chronological sequence beginning with the Committee on the Financial System in 1991. This was followed by the Committee on Banking Sector Reforms in 1998. Later, the Financial Sector Legislative Reforms Commission was constituted in 2011, finally submitting its comprehensive report in 2013 to modernize the legal framework.

2. (C) Introduction of pure inter-bank call money market, auction-based repos, and reverse-repos
Short-term liquidity management in the banking sector is specifically addressed through market-driven mechanisms. These include the development of a pure inter-bank call money market and the implementation of auction-based repos and reverse-repos. These instruments allow banks to manage daily cash flows efficiently by borrowing or lending surplus funds through a transparent, market-determined interest rate discovery process.

3. (C) A Tax on the Banking System
The first Narasimham Committee of 1991 critically evaluated the high levels of reserve requirements then in place. It characterized the combined Statutory Liquidity Ratio and Cash Reserve Ratio, which aggregated to over fifty percent, as a tax on the banking system. This high pre-emption of resources limited the funds available for commercial lending and impacted bank profitability.

4. (C) The Insolvency and Bankruptcy Code
The 2016 enactment of the Insolvency and Bankruptcy Code aimed to revolutionize the reorganization and insolvency resolution processes. It provides a time-bound legal framework for corporate persons, partnership firms, and individuals. The primary objective is to maximize the value of assets and promote entrepreneurship by streamlining recovery procedures and ensuring a predictable outcome for all creditors involved.

5. (B) Imposing a complete ban on foreign direct investment in the financial sector
Competition-enhancing measures in the banking sector focus on opening the market rather than restricting it. Key initiatives include granting operational autonomy to public sector banks and allowing them to raise equity capital from the market. Furthermore, transparent norms were established for the entry of private and foreign banks, which is the opposite of banning foreign investment.

6. (D) I, II, and III
Several institutional structures were established to facilitate the quicker recovery and restructuring of stressed assets within the banking sector. These include Lok Adalats for small-value claims, Debt Recovery Tribunals for faster adjudication of larger defaults, and Asset Reconstruction Companies for managing distressed loans. Together, these entities provide a multi-tiered legal framework to improve the asset quality of banks.

7. (A) August 1991
The Committee on the Financial System, popularly known as the first Narasimham Committee, was established by the Government of India in August 1991. This committee was tasked with examining all aspects of the financial system to improve its efficiency and profitability. Its recommendations laid the groundwork for comprehensive reforms, shifting the sector from financial repression to a market-oriented system.

8. (A) P-2, Q-3, R-1, S-4
The Indian banking structure evolved through various phases, including the nationalization of fourteen large banks in 1969. Following the 1991 reforms, new private sector entrants like HDFC and ICICI emerged. Foreign bank subsidiaries face a seventy-four percent investment limit. Additionally, competition is further enhanced through the introduction of differentiated entities such as small finance and payment banks.

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(C) II and III only
(D) I, II, and III

Oct/Nov 2005

77. The Crisis Prevention and Monitoring Framework (CPMF) encompasses various active measures to ensure macroeconomic stability. Which of the following is an exception to the tasks assigned to the 'Anchor' Divisions under this framework?
(A) Monitoring evolving vulnerabilities in their respective areas
(B) Analyzing data related to systemic threats
(C) Managing direct retail lending limits for private commercial banks
(D) Generating policy options and taking action to mitigate risks

May/June 2020

78. Match the specific wings of the FSDC in List I with their respective Chairpersons in List II.
List I: (Specific Wings of the FSDC)
P. FSDC Sub-Committee
Q. Technical Group on Financial Inclusion and Financial Literacy (TGFIFL)
R. Macro Financial Monitoring Group (MFMG)
S. Early Warning Group
List II: (Chairpersons)
1. DG, RBI, in-charge of Financial Markets Department
2. Chief Economic Adviser
3. Governor of the RBI
4. DG, RBI, in charge of financial stability
(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-3, Q-2, R-4, S-1
(D) P-1, Q-4, R-2, S-3

Oct/Nov 2015

79. What is the primary mandate of the Working Group on resolution regime for financial institutions set up under the FSDC?
(A) To issue direct bailout funds to failing cooperative banks
(B) To identify gaps vis-à-vis FSB Key Attributes and suggest changes
(C) To merge underperforming public sector banks with private banks
(D) To dictate the monetary policy framework for cross-border trades

May/June 2010

80. The Inter Regulatory Forum for monitoring Financial Conglomerates (IRF-FC) has specific structural and operational characteristics. Consider the following:
I. It was set up in August 2012.
II. It is modeled around the "lead regulator" principle.
III. It is headed by the Deputy Governor, RBI (in-Charge of the Department of Banking Supervision).
IV. Its members are junior officers from individual bank branches exclusively.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

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enhance inter-regulatory coordination, and promote development. Its non-statutory nature allows for flexible coordination among various sectoral regulators and government departments.

35. (A) Repo and CBLO market
Following systemic reforms, daily average trading volumes shifted significantly from the uncollateralized call money market to collateralized segments. The market repo and Collateralized Borrowing and Lending Obligation segments became the predominant choice for liquidity management. This shift resulted in lower rate volatility and reduced systemic risk, as participants moved toward more secure, asset-backed borrowing and lending arrangements.

36. (A) The Financial Sector Development Council (FSDC)
The Financial Sector Development Council is the apex-level forum mandated to facilitate inter-regulatory coordination and resolve conflicts between different sectoral regulators like SEBI and IRDAI. By providing a platform for high-level deliberation, it helps eliminate regulatory arbitrage and ensures that hybrid financial products are supervised efficiently without overlapping guidelines, thereby maintaining overall financial stability across the entire system.

37. (A) The initiative concluded permanently with EASE 1, with no subsequent iterations being launched.
The Enhanced Access and Service Excellence program is an ongoing initiative for public sector banks. It did not conclude with EASE 1; instead, it has seen multiple subsequent iterations to deepen reforms. For instance, Ease 5.0 was launched in June 2022, focusing on digital customer experience and data-driven integrated banking, demonstrating the continuous nature of these institutional reforms.

38. (D) 14-day settlement cycle – Replaced by the Badla System
Capital market transformations replaced the old fourteen-day settlement cycle with a more efficient rolling settlement system, eventually moving to T+1 or T+2. The Badla system was actually an old practice that was abolished to improve market integrity. Other successful changes included the transition from open outcry to screen-based trading and from physical certificates to electronic dematerialization via depositories.

39. (D) Exchange Earner's Foreign Currency (EEFC) Account
The Exchange Earner's Foreign Currency account is a facility provided to foreign exchange earners, such as exporters. It allows them to credit a portion of their foreign currency earnings to the account without converting them into Indian Rupees. This helps participants hedge against transaction costs and exchange rate volatility when they have future foreign currency payment obligations for imports.

40. (A) 10th August 2017
The Reserve Bank of India introduced the Tri-Party REPO on 10th August 2017 to modernize the money market. This instrument replaced the Collateralized Borrowing and Lending Obligation. Tri-party repo allows for more efficient collateral management and settlement by involving a third-party intermediary, thereby enhancing liquidity and participation in the collateralized segment of the Indian money market operations.

41. (B) Overseeing the functions and risks of large financial conglomerates
In the context of the FSDC's mandate, macro-prudential supervision primarily focuses on monitoring risks that could impact the entire financial system. This includes overseeing the functions and interconnected risks of large financial conglomerates that operate across multiple sectors. By tracking these systemic entities, the council aims to prevent localized failures from escalating into broader financial crises and macroeconomic instability.

42. (C) The use of broad money as an intermediate target has been de-emphasized, and a multiple indicator approach has been adopted.
As financial markets became more complex and liberalized, the Reserve Bank of India evolved its policy framework. The strict use of broad money as the sole intermediate target was de-emphasized. Instead, the central bank adopted a multiple indicator approach, which considers various factors like interest rates, credit growth, inflation, and exchange rates to guide its monetary policy decisions.

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9. (A) I, II, III, and IV only
Prudential reforms in the banking sector introduced international best practices to ensure financial stability. Key measures included phased implementation of risk-weighted capital adequacy and applying marked-to-market principles for investment portfolios. Additionally, capital charges for market risk were introduced alongside Income Recognition and Asset Classification norms. Premature withdrawal conditions on deposits remained regulated to maintain systemic liquidity.

10. (C) Assertion (A) is true, but Reason (R) is false.
While the Indian financial system managed the 2008 Global Financial Crisis relatively well, it was recognized that reforms must be continuous to address new vulnerabilities. The belief that the system was completely immune is false; rather, the crisis highlighted the need for constant improvements in regulation and supervision to protect the economy from future external shocks.

11. (D) Move towards risk-based supervision and consolidated supervision of financial conglomerates
A significant shift in supervisory strategy involves moving away from traditional methods toward risk-based supervision. This approach focuses on identifying and monitoring specific risks faced by commercial banks, financial institutions, and NBFCs. Additionally, consolidated supervision of financial conglomerates ensures that the risks across various subsidiaries and interconnected business lines are managed comprehensively to maintain overall financial system stability.

12. (C) Both I and II
The first Narasimham Committee observed that the availability of timely credit was far more critical for borrowers than the provision of subsidized interest. It argued that interest subsidies in government schemes significantly eroded the profitability of banks. Therefore, the committee suggested that banks should focus on efficient credit delivery while maintaining market-linked pricing to ensure their own health.

13. (A) Only I
Enhancing the role of market forces involved a sharp reduction in pre-emption through reserve requirements like SLR and CRR. While many administered interest rates were disbanded to facilitate market discipline, the process was phased and not entirely without exceptions. Some specific sectors or deposit types retained regulatory oversight to protect vulnerable groups or maintain monetary stability during transition.

14. (D) I, II, and III
Foreign banks are permitted to operate in India through three distinct channels to foster a competitive environment. They can function as branches of their parent foreign entities or as wholly owned subsidiaries. Additionally, they can operate as subsidiaries where the aggregate foreign investment is permitted up to seventy-four percent of the paid-up capital, providing diverse operational models for banks.

15. (D) The SARFAESI Act, 2002
The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act of 2002 empowers banks to recover non-performing assets without court intervention. It allows secured creditors to issue a sixty-day notice to defaulters. If the liability is not discharged, the bank can take possession of the secured assets, providing a powerful legal tool for recovery.

16. (A) Extensive regulations, administered interest rates, directed credit programs, and weak banking structure
Prior to 1991, the Indian banking sector was characterized by financial repression, involving heavy government control. This included extensive regulations and administered interest rates that did not reflect market conditions. Directed credit programs forced banks to lend to specific sectors regardless of viability, leading to a weak banking structure with low profitability, high non-performing assets, and inefficient operations.

17. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Reserve Bank of India has phased out the structure of administered interest rates to provide banks with operational flexibility. Consequently, the central bank no longer prescribes specific interest rates for fixed or time deposits. This deregulation allows banks to price their products

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based on market demand and their own cost of funds, fostering competition and efficiency.

18. (A) Treating sticky advances guaranteed by the Government as Non-Performing Assets
A major recommendation of the second Narasimham Committee in 1998 was to tighten asset quality norms. It proposed that sticky advances, even those guaranteed by the government, should be treated as non-performing assets. This shift aimed to provide a more accurate picture of bank health, ensuring that sovereign guarantees did not hide underlying credit risks or delay necessary provisioning.

19. (A) Stood at 14.2 per cent against a requirement of 9.0 per cent
As of March 2019, scheduled commercial banks in India maintained a healthy Capital to Risk-Weighted Assets Ratio of fourteen point two percent. This level significantly exceeded the regulatory requirement of nine percent set by the Reserve Bank of India. Such high capital buffers indicate the resilience of the banking sector and its ability to absorb potential losses.

20. (A) Migration to CBS – Technology-driven competition enhancing measure
The migration to Core Banking Solutions represents a significant technology-driven measure that has enhanced competition in the banking sector. By centralizing operations, CBS allows banks to offer seamless services across branches, improving customer experience and operational efficiency. This technological advancement was crucial for enabling banks to compete effectively in a modern, digital-first financial environment and streamlining reporting processes.

21. (A) P-3, Q-2, R-1, S-4
Technical and supervisory initiatives play a vital role in modernizing the financial sector. INFINET provides the essential communication backbone, while the Negotiated Dealing System facilitates screen-based trading in government securities. For supervision, the CAMELS rating system evaluates bank performance across key metrics. Finally, the EASE agenda focuses on institutionalizing clean and smart banking reforms across public sector banks.

22. (B) Plagues in the public sector banking system due to rapid expansion and stretched lines of command
The first Narasimham Committee identified that rapid, unplanned branch expansion in the public sector led to significant operational issues. Stretched lines of command weakened central supervision, resulting in un-reconciled inter-branch entries and increased internal fraud. This scenario highlights the systemic plague where quantity of expansion was prioritized over the quality of internal controls and administrative oversight protocols.

23. (B) I, II, and IV only
Financial sector reforms aimed to remove existing financial repression and provide operational autonomy to institutions. A primary goal was to prepare the domestic financial system for increasing international competition by adopting global standards. These reforms focused on decentralizing price discovery rather than imposing stricter central controls, allowing market mechanisms to play a greater role in resource allocation decisions.

24. (D) Fixing realistic repayment schedules on the basis of availability of cash flows with borrowers
Under deregulated credit processes, banks are encouraged to move away from rigid, generic repayment structures. Instead, they must conduct rigorous projections of a borrower's future revenues and expenses. By aligning repayment schedules with the actual availability of cash flows, banks ensure that the debt servicing remains sustainable for the borrower, thereby reducing the likelihood of default and NPAs.

25. (B) Targeted Long Term Repo Operations Scheme
The Targeted Long Term Repo Operations scheme allows banks to borrow funds at the prevailing repo rate for extended durations up to three years. These funds are specifically intended for investment in corporate bonds, commercial papers, and non-convertible debentures. This mechanism enhances market liquidity and encourages banks to support corporate credit needs, thereby strengthening the transmission of policy signals.

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26. (D) It ensured stringent post-credit supervision and monitoring.
Directed credit programs prior to reforms were criticized for leading to a deterioration in loan portfolio quality. They often resulted in inadequate appraisal of credit applications and the overlooking of qualitative aspects of lending. Contrary to ensuring stringent oversight, these programs were actually characterized by weak post-credit supervision and monitoring, which contributed to the rise of non-performing assets.

27. (A) Clearing Corporation of India Limited (CCIL) – Central counter party for fixed income securities and money market instruments
The Clearing Corporation of India Limited serves as a vital central counterparty for transactions in fixed income securities and money market instruments. By providing guaranteed settlement, it mitigates counterparty risk and enhances market stability. Other institutions like CIBIL focus on credit information sharing, while Debt Recovery Tribunals and Lok Adalats handle legal adjudication and recovery.

28. (A) They must be treated as Non-Performing Assets (NPAs) despite the government guarantee.
Following the recommendations of the second Narasimham Committee, the regulatory framework shifted toward a more transparent assessment of asset quality. Banks are now required to classify sticky advances as non-performing assets even if they are backed by a state government guarantee. This ensures that the bank's financial statements accurately reflect the true credit risk and default status.

29. (C) IRAC – Interest Rate Administration Control
In the context of prudential measures, IRAC stands for Income Recognition and Asset Classification, which are norms used to categorize loans based on their performance. It is not related to interest rate administration control. Other terms like CCCB for Countercyclical Capital Buffer, LCR for Liquidity Coverage Ratio, and NSFR for Net Stable Funding Ratio are correctly associated with Basel III.

30. (B) Up to 49 per cent of paid-up capital
To enhance competition and operational flexibility, public sector banks were permitted to raise capital from the equity market. However, to maintain their public sector character, the government must retain at least fifty-one percent ownership. Therefore, these banks can raise capital from the private equity market only up to a maximum of forty-nine percent of their total paid-up capital.

31. (C) There was a move from selective credit control to direct instruments like statutory reserve preemptions.
Monetary policy reforms actually involved a move away from direct instruments like statutory reserve preemptions and selective credit controls. Instead, there was a significant shift toward indirect instruments such as open market operations and repo auctions. This transition allowed the central bank to manage liquidity and interest rates more effectively through market-based mechanisms rather than using administrative directives.

32. (B) Adoption of a managed floating exchange rate arrangement
A foundational reform in the Indian foreign exchange market was the transition from a fixed exchange rate system to a managed floating exchange rate arrangement. Under this system, the market determines the exchange rate based on demand and supply, while the Reserve Bank of India intervenes only to maintain orderly market conditions and curb volatility.

33. (A) I, II, and III only
Technological advancements in banking include mandated IT systems for the automated identification of non-performing assets and the generation of regulatory returns. Banks also increasingly collaborate with Fintech companies for digital transformation. However, the Negotiated Dealing System was specifically introduced for screen-based trading in government securities and money market instruments, not for corporate equities, which are traded on exchanges.

34. (D) It is a statutory body established under a specific Act of Parliament.
The Financial Sector Development Council was constituted in December 2010 by an executive order of the Government of India, not through a specific Act of Parliament. It serves as an apex-level forum to maintain financial stability,

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with interest rate differentials and generally served as a predictor of the future spot rate?
(A) The bid-ask spread
(B) The Marginal Standing Facility rate
(C) Forward premia
(D) The Cash Reserve Ratio

May/June 2013

60. Match the specific market reforms in List I with their corresponding segment in List II.
List I: (Specific Market Reforms)
P. Controller of Capital Issues (CCI) regime
Q. Rolling settlement
R. Phasing out of WMA
S. Statutory Liquidity Ratio (SLR)
List II: (Market Segments/Impact)
1. Replaced the 14-day settlement cycle in the secondary market
2. Imposed primary issuance at sub-market rates in the past
3. Eliminated automatic monetisation in the G-Sec market
4. Banks maintain this by investing in eligible government securities
(A) P-2, Q-1, R-3, S-4
(B) P-1, Q-2, R-4, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-3, R-2, S-1

Oct/Nov 2021

61. A massive financial conglomerate operates an NBFC, a housing finance company, a life insurance arm, and an asset management company. Due to its complex interconnected structure, traditional siloed regulation proves inadequate. To oversee this entity effectively, a regulatory forum is deployed that adopts a "lead regulator" principle, ensuring comprehensive monitoring. Which wing of the FSDC provides this institutional structure?
(A) Inter regulatory technical group (IR – TG)
(B) Working Group on resolution regime for financial institutions
(C) Inter Regulatory Forum for monitoring Financial Conglomerates (IRF-FC)
(D) Crisis Prevention and Monitoring Framework (CPMF)

May/June 2024

62. A large Indian financial institution with significant overseas operations and subsidiaries in multiple jurisdictions faces sudden insolvency. Indian regulators realize that resolving this entity requires legal mechanisms that recognize and coordinate with foreign regulatory jurisdictions. Which group within the FSDC is specifically tasked with recommending changes in the legal framework to facilitate such cross-border resolutions?
(A) The Working Group on resolution regime for financial institutions
(B) The FSDC Sub-Committee
(C) The Early Warning Group
(D) The Inter regulatory technical group

Oct/Nov 2009

63. Which of the following statements correctly describes the operational routine of the Inter regulatory technical group (IR – TG)?
(A) It routinely discusses risks to systemic financial stability and inter-regulatory coordination.
(B) It meets annually to finalize the union budget allocations for the entire financial sector.
(C) It is headed by the Finance Minister and reports directly to the Prime Minister's Office.
(D) It restricts its membership to only RBI officials and excludes other regulators entirely.

May/June 2016

64. The following question consists of two statements – Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The Crisis Prevention and Monitoring Framework (CPMF) highlights the 'prevention' aspect apart from the 'management' facet of a crisis.
Reason (R): Under CPMF, 'Anchor' Divisions are made responsible to monitor, analyze, generate policy options, and take action on evolving vulnerabilities in their respective areas before they escalate.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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43. (B) The transition to free pricing and the book-building system prescribed by SEBI
The transition from the restrictive Controller of Capital Issues regime to a system of free pricing and book-building allows companies to discover the market price for their shares. Under SEBI regulations, demand from various investor categories determines the final issuance price. This reform, accompanied by mandatory disclosures, ensures transparency and allows market forces to allocate capital efficiently.

44. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The call money market was transformed into a pure inter-bank market by restricting the participation of non-bank entities. This structural change effectively shifted the activity of non-bank participants toward collateralized segments like market repo and CBLO. Consequently, daily average volumes in the uncollateralized call market decreased significantly while volumes in more secure collateralized segments grew substantially over time.

45. (C) The Finance Minister
The Financial Sector Development Council is chaired by the Union Finance Minister of India. As an apex-level body, it brings together the heads of all financial sector regulators and senior government officials. This leadership structure ensures that the highest level of political and administrative authority is involved in maintaining financial stability and coordinating regulatory policy across the entire economy.

46. (B) Blockchain technology
Blockchain technology is recognized for its potential to revolutionize traditional banking through the use of smart contracts. These digital contracts automatically execute and verify transactions without manual intervention, ensuring high efficiency and security. By utilizing a decentralized ledger, banks can streamline processes like loan disbursement and repayment, significantly reducing operational costs and the time required for complex agreements.

47. (A) III, II, I, IV
The milestones in financial reforms started with the setting up of the first Narasimham Committee in 1991. This was followed nearly two decades later by the constitution of the Financial Sector Development Council in 2010. The Financial Sector Legislative Reforms Commission was subsequently constituted in 2011, and the enactment of the Insolvency and Bankruptcy Code took place in 2016.

48. (B) Market Stabilization Scheme (MSS)
The Market Stabilization Scheme is a monetary policy instrument used by the central bank to absorb enduring liquidity caused by large and continuous capital inflows. Unlike regular operations under the Liquidity Adjustment Facility, which handle short-term needs, MSS involves the issuance of government securities specifically to mop up excess cash from the system to maintain price stability.

49. (A) I, II, and III only
Liberalization of the foreign exchange market allowed authorized dealers to initiate trading positions and banks to fix interest rates on non-resident deposits. Furthermore, exporters and foreign institutional investors were permitted to use forward covers and swap transactions. Contrary to prohibition, foreign exchange earners were explicitly allowed to maintain foreign currency accounts, such as EEFC accounts, to manage risks.

50. (C) The Reserve Bank of India ceased to participate in the primary segment of the G-Sec market.
Effective from April 2006, a significant structural shift occurred as the Reserve Bank of India stopped participating in the primary auctions of Government Securities. This move was intended to separate debt management from monetary policy and allow market forces to determine interest rates. This change fostered the development of a more robust and transparent secondary market for these securities.

51. (B) I, II, and IV only
The FSDC is responsible for maintaining financial stability, monitoring large financial conglomerates, and focusing on financial inclusion and literacy. However, it does not dictate or execute day-to-day monetary policy operations. Monetary policy remains the exclusive mandate of the Reserve Bank of India,

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notification, exempt any reporting entity or class of reporting entities from any obligation under Chapter IV.

II. Reporting entities are required to furnish information relating to executed transactions only, completely excluding attempted transactions.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2023

25. Mr. X is convicted of money laundering involving proceeds of crime related to an offence specified under paragraph 2 of Part A of the Schedule. The Special Court is determining his sentence. What is the maximum statutory period of rigorous imprisonment that the judge can award to Mr. X under Section 4?

(A) 3 years
(B) 5 years
(C) 7 years
(D) 10 years

May/June 2009

26. Consider the following actions under Section 13(2) of the Prevention of Money Laundering Act:

I. Issue a warning in writing.
II. Direct the entity to comply with specific instructions.
III. Order the immediate suspension of the entity's banking license.

If the Director finds that a reporting entity has failed to comply with its obligations, which of the above actions can the Director take?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

Oct/Nov 2011

27. Review the following provisions associated with Section 12:

I. Maintaining records of all transactions.
II. Furnishing information to the Director.
III. The information to be furnished includes attempted transactions.
IV. Maintaining account files.
V. Identity records are kept for five years from the date of the initial transaction, regardless of when the account is closed.

Which combination represents the correct statutory provisions?

(A) I, II, III, and IV
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2010

28. Consider the following statements regarding the actions that determine the offence of money laundering under Section 3:

I. Knowingly assisting in the acquisition of proceeds of crime constitutes an offence.
II. Unknowingly receiving proceeds of crime guarantees conviction under the Act.
III. Knowingly being a party to the possession of proceeds of crime is treated as an offence.

Which of the combinations of statements is correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2005

29. What is the primary directive regarding the security of the information maintained or furnished by a reporting entity under the Act?

(A) It must be shared openly with all government departments and law manifestation agencies.
(B) It must be published on the reporting entity's official website for purposes of transparency.
(C) Information must be kept confidential, except as otherwise provided under any relevant law.
(D) It must be destroyed immediately after the transaction is executed to protect consumer privacy.

May/June 2020

30. Which of the following statements regarding the punishment for money laundering is incorrect?

(A) The standard maximum term for rigorous imprisonment is seven years.
(B) The punishment also includes liability to a fine.
(C) Where proceeds of crime relate to offences under paragraph 2 of Part A of the Schedule,

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60. (A) P-2, Q-1, R-3, S-4
Market reforms involved replacing the Controller of Capital Issues regime, which had imposed sub-market rates on issuances. The rolling settlement system modernized the secondary market by replacing the old fourteen-day cycle. Phasing out Ways and Means Advances eliminated automatic monetization of the government's deficit. Finally, banks continue to maintain their Statutory Liquidity Ratio by investing in eligible government securities.

61. (C) Inter Regulatory Forum for monitoring Financial Conglomerates (IRF-FC)
The Inter Regulatory Forum for monitoring Financial Conglomerates is the specific wing of the FSDC designed to oversee complex financial entities. It utilizes a "lead regulator" principle to ensure that the diverse activities of a conglomerate, spanning banking, insurance, and asset management, are monitored holistically. This forum facilitates information sharing and coordinated supervision to manage systemic risks.

62. (A) The Working Group on resolution regime for financial institutions
The Working Group on resolution regime for financial institutions is tasked with strengthening the legal framework for failing entities. It specifically addresses gaps in the Indian resolution system relative to international standards. This includes recommending legislative changes to facilitate cross-border resolutions, ensuring that Indian regulators can coordinate effectively with foreign jurisdictions during the insolvency of institutions with global operations.

63. (A) It routinely discusses risks to systemic financial stability and inter-regulatory coordination.
The Inter regulatory technical group functions as a functional arm of the FSDC Sub-Committee. It meets frequently to discuss evolving risks to systemic financial stability and to ensure smooth inter-regulatory coordination. By analyzing technical data and regulatory gaps, the group provide essential inputs that help the Sub-Committee make informed decisions about protecting the health of the financial system.

64. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Crisis Prevention and Monitoring Framework emphasizes the proactive prevention of financial crises. It achieves this through 'Anchor' Divisions within regulatory bodies that are responsible for monitoring and analyzing specific vulnerabilities in their respective sectors. By generating policy options and taking early action on these risks, the framework aims to address potential threats before they escalate into crises.

65. (C) Directly issuing banking licenses to private sector applicants
The FSDC focuses on high-level goals like maintaining financial stability, enhancing inter-regulatory coordination, and promoting financial literacy. It is not an operational regulator and does not have the authority to issue banking licenses. The power to grant licenses to private or public sector banks remains the exclusive statutory responsibility of the Reserve Bank of India under the Banking Regulation Act.

66. (B) It lacks any mandate to recommend legislative changes for the resolution regime.
The High Level Working Group on resolution regime for financial institutions has a clear mandate to recommend legislative changes necessary to improve the system. It examines existing gaps compared to the Financial Stability Board's Key Attributes. Its purpose is to facilitate a robust resolution framework that can handle the insolvency of complex financial entities, including coordination on cross-border issues.

67. (A) P-1, Q-3, R-4, S-2
Different wings of the FSDC have specialized mandates. The Working Group on resolution identifies gaps in international attributes. The Macro Financial Monitoring Group tracks macroeconomic developments using anchor divisions. The Early Warning Group is responsible for coordinating the response of the government and regulators during a crisis. Lastly, the Inter regulatory technical group focuses on routine stability discussions.

68. (A) I and II only
The FSDC Sub-Committee is chaired by the Governor of the Reserve Bank of India and

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includes all members of the full Council. This structure ensures continuity in decision-making between the council and its sub-committee. However, contrary to being excluded, all four Deputy Governors of the RBI and the Additional Secretary from the Department of Economic Affairs are active members.

69. (A) I and II only
The Crisis Prevention and Monitoring Framework is designed to collaborate with regulatory authorities to identify emerging threats and take necessary steps to mitigate the impact of a crisis on the economy. It does not solely focus on management after a crisis occurs; rather, it places significant emphasis on preemptive analysis and prevention to maintain systemic stability.

70. (C) Early Warning Group
The Early Warning Group is the specific wing within the FSDC tasked with coordinating the swift and synchronous response of the Government of India and various financial regulators during a crisis. In times of extreme market volatility or external shocks, this group ensures that all relevant authorities act together to mitigate risks and stabilize the financial markets and economy.

71. (D) The functioning of the Sub-Committee chaired by the Governor of the RBI
While the full FSDC meets periodically, the Sub-Committee chaired by the Governor of the Reserve Bank of India allows for more frequent and functional deliberations. This sub-committee meets as often as necessary to monitor financial stability and coordinate regulatory issues. This structural feature ensures that systemic risks are addressed promptly without waiting for scheduled meetings of the full Council.

72. (D) I, II, III, IV, and V
The FSDC structure includes several specialized wings to address various aspects of financial regulation. These include the Inter regulatory technical group, the Technical Group on Financial Inclusion and Financial Literacy, and the Inter Regulatory Forum for monitoring Financial Conglomerates. Additionally, the Early Warning Group and the Macro Financial Monitoring Group play critical roles in tracking risks and stability.

73. (D) I, II, III, IV, and V
The FSDC and its various wings were established in a phased manner starting with the Council's constitution in December 2010. This was followed by the setup of the Inter regulatory technical group and the Technical Group on Financial Inclusion in late 2011. In 2012, the Early Warning Group, Macro Financial Monitoring Group, and the Inter Regulatory Forum were established.

74. (C) Both I and II
The Technical Group on Financial Inclusion and Financial Literacy includes high-level representation from all sectoral regulators at the Executive Director or Chief General Manager level. It also involves senior officials from the Department of Economic Affairs and the Department of Financial Services at the Joint Secretary level. This broad representation ensures that financial inclusion strategies are coordinated across all sectors.

75. (A) Technical Group on Financial Inclusion and Financial Literacy (TGFIFL)
The Technical Group on Financial Inclusion and Financial Literacy is specifically tasked with leading the formulation of nationwide coordinated strategies to improve the penetration of banking services. By bringing together representatives from all regulators and government departments, it works to increase awareness and access to financial products among the rural population, ensuring a unified approach to achieving inclusion.

76. (B) I and III only
The Macro Financial Monitoring Group was established in May 2012 and meets regularly in the Department of Economic Affairs. It discusses the macro financial situation based on information from various "anchor divisions" within the regulatory system. Contrary to being chaired by the RBI Governor, this specific group is typically chaired by the Chief Economic Adviser of the Government.

77. (C) Managing direct retail lending limits for private commercial banks
'Anchor' Divisions under the Crisis Prevention and Monitoring Framework are responsible for monitoring and analyzing vulnerabilities to generate policy options for systemic risk

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mitigation. Their role is focused on macro-prudential stability and preventing broad financial crises. They do not involve themselves in the micro-management of individual banks, such as setting specific retail lending limits for private commercial banking entities.

78. (A) P-3, Q-4, R-2, S-1
High-level officials lead various FSDC wings. The Sub-Committee is chaired by the Governor of the RBI. The Technical Group on Financial Inclusion is headed by the Deputy Governor in charge of financial stability. The Macro Financial Monitoring Group is led by the Chief Economic Adviser. Finally, the Early Warning Group is chaired by the Deputy Governor in charge of the Financial Markets Department.

79. (B) To identify gaps vis-à-vis FSB Key Attributes and suggest changes
The primary mandate of the Working Group on resolution regime is to enhance the framework for handling failing financial institutions. It identifies gaps between India's current laws and the Financial Stability Board's "Key Attributes of Effective Resolution Regimes." Based on this analysis, the group suggests necessary legal and regulatory changes to ensure institutions can be resolved without systemic instability.

80. (A) I, II, and III only
Established in August 2012, the Inter Regulatory Forum for monitoring Financial Conglomerates operates on the "lead regulator" principle. It is headed by the Deputy Governor of the RBI in charge of the Department of Banking Supervision. Its members are senior representatives from various regulatory bodies, ensuring that the supervision of large, complex conglomerates is conducted by experienced officials.

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transaction and proceed.
(D) The reporting entity shall not allow the specified transaction to be carried out.

May/June 2025

12. Given below are two statements, one labeled as Assertion (A) and the other as Reason (R):
Assertion (A): Authorized Persons who are Indian Agents under the Money Transfer Service Scheme (MTSS) may nominate a Director on their Boards as a "Designated Director".
Reason (R): The nomination ensures compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012.
Which of the following is correct?
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2014

13. Which of the following accurately describes an obligation of a reporting entity under Section 12(1) of the Act?
(A) Maintain records of all transactions to enable the reconstruction of individual transactions.
(B) Publicly list the details of every cross-border wire transfer in a national newspaper for transparency.
(C) Physically forward all correspondence with business customers to the central bank on a quarterly basis.
(D) Disclose confidential client data to third-party auditing agencies whenever such information is requested.

May/June 2019

14. What is the minimum term of rigorous imprisonment prescribed for whoever commits the offence of money laundering under Section 4 of the Act?
(A) One year
(B) Three years
(C) Five years
(D) Seven years

Oct/Nov 2006

15. Given below are two statements, one labeled as Assertion (A) and the other as Reason (R):
Assertion (A): No civil or criminal proceedings can lie against a reporting entity or its directors for furnishing information to the Director under clause (b) of sub-section (1) of Section 12.
Reason (R): Section 14 of the Act grants specific legal immunity to encourage and protect reporting entities when complying with information-furnishing obligations.
Which of the following is correct?
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2023

16. What is the primary purpose of including Chapter IV in the Prevention of Money Laundering Act, 2002?
(A) To prevent the misuse of the banking machinery by persons indulging in money laundering.
(B) To confiscate properties derived from criminal activities.
(C) To outline the specific punishments and fines for individuals committing money laundering.
(D) To establish the authority of the Reserve Bank of India in penalizing offenders.

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Oct/Nov 2018

17. Consider the following statements regarding the maintenance of records under Section 12:
I. Information relating to transactions covered under clause (b) must be maintained to enable reconstruction of individual transactions.
II. Information must be furnished to the Director within a prescribed time.
III. The value of the transactions to be furnished to the Director is fixed by the Central Government at a flat rate of ten lakh rupees for all categories.
Which of the above statements is/are correct?
(A) I and II
(B) II and III

Which of the following is correct?
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2021

6. Which of the following statements correctly identifies the legislative change introduced in 2019 regarding reporting entities?
(A) The complete removal of the requirement to verify client identity using Aadhaar.
(B) Section 12AA was added, requiring enhanced due diligence for specified transactions.
(C) The reduction of the record maintenance period from five years to three years.
(D) The shifting of the power to impose fines from the Director to the Reserve Bank of India.

Oct/Nov 2010

7. When was the Prevention of Money Laundering (Amendment) Act, 2012 made effective?
(A) 27-08-2013
(B) 15-02-2013
(C) 15-03-2012
(D) 01-04-2013

May/June 2005

8. Consider the following statements about the punishment for money laundering:
I. Section 4 governs the punishment for the offence.
II. The imprisonment awarded is characterized as rigorous.
III. The standard imprisonment term cannot exceed seven years.
IV. The offender is liable to a fine in addition to imprisonment.
V. Offences specified under paragraph 2 of Part A of the Schedule cap the imprisonment at seven years.
Which combination correctly identifies the TRUE statements?
(A) I, II, III, and V
(B) I, II, III, and IV
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2022

9. Match the record maintenance periods under Section 12 with their corresponding events:
List I: Record Maintenance Event
P. Maintenance of records of all transactions
Q. Maintenance of identity documents and account files
R. Maintenance of enhanced due diligence information
S. Exemption of reporting entities from obligations
List II: Period or Authority
1. Central Government by notification
2. Five years from the date of transaction
3. Five years after the business relationship has ended or account closed, whichever is later
4. Five years from the date of transaction (under Section 12AA)
(A) P-2, Q-3, R-4, S-1
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

May/June 2014

10. Read the following statements regarding the offence of money laundering:
I. A person must be actually involved in the concealment or use of proceeds of crime to be found guilty; merely attempting to indulge is insufficient.
II. Projecting or claiming the proceeds of crime as untainted property constitutes an offence under the Act.
Which of the statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2007

11. Under the enhanced due diligence provisions, what must a reporting entity do if a client fails to fulfill the condition of verifying their identity prior to a specified transaction?
(A) Allow the transaction but report it within 30 days.
(B) Deduct a penalty fee from the client's account and proceed with the transaction.
(C) Request a guarantor to vouch for the

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CHAPTER 08

The Prevention of Money Laundering Act, 2002

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Oct/Nov 2012

1. According to the explanation provided in the Prevention of Money Laundering Act, which of the following processes or activities, when connected with proceeds of crime, renders a person guilty of the offence of money laundering?

(A) Exclusively the final integration of illicit funds into the formal economy via high-value assets.

(B) Only the physical possession and concealment of counterfeit currency notes within the country.

(C) The failure to file accurate tax returns regarding income generated from various lawful activities.

(D) Concealment, possession, acquisition, use, or projecting/claiming as untainted property.

May/June 2018

2. Identify the incorrect statement pertaining to the maintenance of records by reporting entities.

(A) Records of transactions must be maintained for a period of five years from the date of transaction.

(B) Records of documents evidencing client identity must be maintained for five years after the business relationship has ended or the account closed, whichever is later.

(C) The Central Government has no authority to exempt any reporting entity from the obligations under Chapter IV.

(D) Every information maintained, furnished, or verified shall be kept confidential, save as otherwise provided under any law.

Oct/Nov 2024

3. Consider the following legislative and regulatory milestones regarding the Prevention of Money Laundering Act:

I. Enactment of the Prevention of Money Laundering (Amendment) Act making the provision for Designated Director effective.

II. Enactment of the Prevention of Money Laundering Act to prevent money laundering.

III. Introduction of Section 12AA dealing with enhanced due diligence.

IV. Framing of the Prevention of Money Laundering Maintenance of Records Rules.

Which of the following is the correct chronological sequence of these milestones?

(A) II, IV, I, III

(B) II, I, IV, III

(C) IV, II, I, III

(D) I, II, III, IV

May/June 2007

4. Evaluate the following statements regarding the obligations of reporting entities:

I. Maintain records of documents evidencing the identity of beneficial owners.

II. Keep business correspondence relating to clients.

III. Ensure all maintained or verified information is publicly accessible.

IV. Maintain transaction records for five years from the date of transaction.

Which of the above statement(s) is/are correct?

(A) I, II, and IV

(B) I, III, and IV

(C) II, III, and IV

(D) I, II, and III

Oct/Nov 2019

5. Given below are two statements, one labeled as Assertion (A) and the other as Reason (R):

Assertion (A): The process or activity connected with proceeds of crime is considered a continuing activity.

Reason (R): The activity continues until the banking institution formally closes the account associated with the transaction.

(C) I and III
(D) I, II, and III

May/June 2012

18. How does the statute characterize the timeframe and continuation of the process or activity connected with proceeds of crime?
(A) It is a continuing activity while a person is enjoying the proceeds of crime.
(B) It is a discrete, one-time event that concludes immediately upon the initial deposit of illicit funds.
(C) It remains an active offence only for a period of five years from the date of the first transaction.
(D) It ceases to be an offence once the funds are transferred to any domestic intermediary institution.

Oct/Nov 2009

19. Under Section 12(1), a reporting entity is obligated to do all of the following, EXCEPT:
(A) Maintain a record of all transactions to reconstruct individual transactions.
(B) Furnish information relating to attempted or executed transactions to the Director.
(C) Maintain records of documents evidencing the identity of its clients and beneficial owners.
(D) Confiscate the assets of a client immediately upon suspecting a transaction is connected to crime.

May/June 2016

20. All of the following are true regarding the punishment for money laundering, EXCEPT:
(A) The offender is exclusively penalized with imprisonment and is exempt from financial fines.
(B) The standard punishment includes rigorous imprisonment for not less than three years.
(C) The maximum standard imprisonment may extend to seven years.
(D) Certain scheduled offences warrant extending the maximum imprisonment term to ten years.

Oct/Nov 2025

21. According to the explanation in Section 12AA, which of the following falls under the definition of a "specified transaction"?
(A) Any domestic fund transfer below fifty thousand rupees.
(B) Routine passbook updates and balance inquiries.
(C) Any transaction in foreign exchange, exceeding such amount as may be prescribed.
(D) The issuance of a fresh chequebook to an existing account holder.

May/June 2011

22. How is the offence of money laundering structurally addressed in the Prevention of Money Laundering Act, 2002?
(A) Section 2 provides a comprehensive, unified list encompassing all possible categories of financial crimes.
(B) Section 3 defines it as involvement in processes or activities connected with proceeds of crime.
(C) The law defines the offence as strictly involving the physical transfer of illicit cash across borders.
(D) The Reserve Bank of India defines the specific nature of the offence through its annual circulars.

Oct/Nov 2020

23. Evaluate the following statements regarding Section 3 of the Prevention of Money Laundering Act:
I. Directly attempting to indulge in activities connected with proceeds of crime is an offence.
II. Indirectly attempting to indulge in activities connected with proceeds of crime is an offence.
III. The statute provides a specific, standalone definition of "money laundering" within its preliminary definitions section.
IV. Enjoying the proceeds of crime by its use in any manner whatsoever makes it a continuing activity.
Which of the above statements are correct?
(A) I, II, and IV
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, and III

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May/June 2022

24. Consider the following statements regarding reporting entities under the Act:
I. The Central Government may, by

ensuring a clear functional separation between macro-prudential supervision and the central bank's liquidity management roles.

52. (A) Only I
The Liquidity Adjustment Facility operates through repo and reverse repo auctions, effectively creating a corridor for short-term interest rates. In April 2022, the RBI introduced the Standing Deposit Facility as the new floor of the policy corridor, replacing the fixed-rate reverse repo. The Marginal Standing Facility remains the cap of the corridor, providing a ceiling for overnight rates.

53. (A) I, II, III, and IV only
Liberalization of the money market included freeing interest rates on call money and introducing new instruments like Commercial Paper and Certificates of Deposit. Inter-bank lending was exempted from reserve requirements, and rupee derivatives were introduced for hedging. Tri-Party REPOs, however, are governed by market-driven prices rather than strict administered pricing, as the goal was to promote efficient discovery.

54. (D) Assertion (A) is false, but Reason (R) is true.
Before the reforms, the foreign exchange market was not vibrant; it was highly restricted. Authorized dealers were not allowed to run extensive open positions overnight. The pre-reform era required exchange earners to surrender their foreign currency to the Reserve Bank at fixed rates, and all trades had to be squared off daily, preventing the development of a deep market.

55. (A) Foreign Direct Investor (FDI) acquiring absolute control
The Government Security market is accessible to a variety of institutional investors, including mutual funds, primary dealers, and Foreign Portfolio Investors. However, Foreign Direct Investment, which involves acquiring absolute control or a significant management stake in a business, is not the mechanism used for investing in government debt securities like Treasury bills or State Development Loans through standard auctions.

56. (A) Maintaining price stability and ensuring availability of adequate credit to productive sectors
Indian monetary policy is guided by the twin objectives of maintaining price stability and ensuring that enough credit is available to productive sectors of the economy. While inflation control is a primary focus, the central bank also aims to support economic growth by facilitating the flow of funds to industries and businesses, balancing these two fundamental goals.

57. (D) I, II, III, IV, and V
The Financial Sector Development Council has a broad membership comprising heads of all sectoral regulators like RBI, SEBI, IRDAI, and PFRDA. It also includes the Chairman of the IBBI, the Chief Economic Adviser, and senior secretaries from the Department of Economic Affairs, Department of Financial Services, and the Ministry of Information Technology, ensuring comprehensive representation for financial policy coordination.

58. (A) A repo contract where a third entity, apart from the borrower and lender, acts as an intermediary to facilitate services like collateral selection, payment and settlement.
A Tri-party repo is a collateralized borrowing and lending arrangement where a third-party agent, such as a clearing corporation, facilitates the transaction. This intermediary handles the administrative tasks of collateral selection, valuation, and settlement for the participants. This structure reduces the operational burden on borrowers and lenders and enhances the efficiency and safety of the repo market operations.

59. (C) Forward premia
In a more efficient foreign exchange market, forward premia became closely aligned with the interest rate differentials between the domestic and foreign currencies. These premia serve as a market-based predictor of the future spot exchange rate. This alignment reflects the principles of interest rate parity, where the cost of hedging currency risk matches the difference in prevailing interest rates.

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the maximum imprisonment extends to ten years.

(D) The minimum imprisonment can be reduced to one year if the financial value of the laundered money is below ten lakh rupees.

Oct/Nov 2015

31. Which statement accurately reflects the rule regarding the maintenance of records for cash transactions?

(A) Only single cash transactions exceeding rupees twenty lakh need to be recorded by the entity.

(B) Cash transactions below ten lakh rupees are never recorded under any specific circumstances.

(C) All cash transactions exceeding ten lakh rupees or foreign equivalent must be recorded.

(D) Foreign currency transactions are exempt from all basic record-keeping requirements under the Act.

May/June 2013

32. A client makes four cash deposits into their savings account within a single calendar month. The deposits are for Rs. 3 lakhs, Rs. 2 lakhs, Rs. 4 lakhs, and Rs. 2.5 lakhs. The reporting entity determines that these deposits are integrally connected to each other.

Under Rule 3, what action must the reporting entity take?

(A) The transactions need not be recorded as each individual deposit is below Rs. 10 lakhs.

(B) Record the transactions as they are monthly-connected and exceed Rs. 10 lakhs.

(C) Only the final deposit of Rs. 2.5 lakhs should be recorded as it breaches the monthly threshold.

(D) The transactions should only be recorded if they involve specific foreign currency exchanges.

Oct/Nov 2021

33. Consider the following statements regarding Section 12AA:

I. Verification of client identity for a specified transaction can be done by authentication under the Aadhaar Act, 2016.

II. If a person is not entitled to obtain an Aadhaar number, no other process or mode of verification is permitted, and the transaction must be denied.

Which of the statements is/are correct?

(A) Only I

(B) Only II

(C) Both I and II

(D) Neither I nor II

May/June 2024

34. A newly established mutual fund company (an intermediary) is setting up its transaction record maintenance system. According to Rule 6, whose specified procedures and manners must this entity follow regarding maintaining hard and soft copies?

(A) Ministry of Corporate Affairs

(B) Indian Banks' Association

(C) The State Government where it is headquartered

(D) RBI or SEBI

Oct/Nov 2008

35. Under Rule 3, a reporting entity must maintain the record of all transactions including the following, EXCEPT:

(A) Purchase and sale of immovable property valued at twenty-five lakh rupees or more.

(B) All cross border wire transfers of the value of more than five lakh rupees.

(C) All suspicious transactions whether or not made in cash.

(D) Receipts by non-profit organizations of value more than rupees ten lakh.

May/June 2006

36. Match the transaction categories with their corresponding reporting timelines to the Director under Rule 8:

List I: Transaction Category

P. Clauses (A), (B), (BA), (C) and (E)

Q. Clause (D) [Suspicious transactions]

R. Clause (F) [Immovable property $\geq$ 50 lakh]

S. Delay in rectifying a mis-reported transaction

List II: Reporting Timeline

1. Every quarter by the 15th day of the succeeding month
2. Constitutes a separate violation for each day beyond the time limit
3. Promptly, not later than seven working days on being satisfied

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9. (A) P-2, Q-3, R-4, S-1
Section 12 mandates transaction record maintenance for five years from the transaction date. Identity documents and account files must be kept for five years after the business relationship ends or the account is closed. Enhanced due diligence records under Section 12AA also require five-year maintenance. The Central Government holds the specific authority to exempt reporting entities from these obligations.

10. (B) Only II
Under the Act, the offence of money laundering encompasses a wide range of activities beyond actual involvement. Attempting to indulge or knowingly assisting in processes connected with proceeds of crime is sufficient for guilt. Furthermore, projecting or claiming the proceeds of crime as untainted property is explicitly defined as an offence, regardless of whether the person is physically concealing the funds.

11. (D) The reporting entity shall not allow the specified transaction to be carried out.
Section 12AA stipulates that every reporting entity must verify the identity of clients before carrying out specified transactions. If a client fails to fulfill these identity verification conditions or the enhanced due diligence requirements, the reporting entity is legally prohibited from allowing the transaction to proceed. This ensures that the financial system is not used for potentially illicit activities without verification.

12. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Authorized Persons acting as Indian Agents under the Money Transfer Service Scheme are required to nominate a Director on their Boards as a Designated Director. This appointment is intended to ensure strict compliance with the statutory obligations defined under the Prevention of Money Laundering Act and its subsequent amendments, facilitating a clear point of accountability for regulatory requirements within the organization.

13. (A) Maintain records of all transactions to enable the reconstruction of individual transactions.
Section 12(1) requires reporting entities to maintain records of all transactions in a manner that allows for the reconstruction of individual transactions. This ensures that investigative agencies can trace the flow of funds if necessary. Entities are also required to furnish information to the Director and maintain identity documents, rather than making them public or forwarding all correspondence to central banks.

14. (B) Three years
The punishment for money laundering is governed by Section 4 of the Prevention of Money Laundering Act. It mandates that any person who commits the offence shall be punishable with rigorous imprisonment for a term which shall not be less than three years. This term may extend to seven years, or ten years in specific cases related to scheduled narcotic offences.

15. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 14 of the Act provides legal protection to reporting entities and their employees. It states that no civil or criminal proceedings shall lie against a reporting entity, its directors, or its employees for furnishing information to the Director as required under Section 12. This immunity is crucial to ensure that entities comply with reporting obligations without fear of legal repercussions.

16. (A) To prevent the misuse of the banking machinery by persons indulging in money laundering.
Chapter IV of the Prevention of Money Laundering Act focuses on the obligations of banking companies, financial institutions, and intermediaries. Its primary objective is to prevent the misuse of the banking machinery by individuals or entities engaged in money laundering activities. This is achieved by imposing strict requirements for record maintenance, identity verification, and reporting suspicious or high-value transactions to the authorities.

17. (A) I and II
Section 12 mandates that reporting entities maintain transaction records to enable

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Oct/Nov 2012

43. Given below are two statements, one labeled as Assertion (A) and the other as Reason (R):
Assertion (A): All cash transactions where forged or counterfeit currency notes have been used as genuine must be recorded by the reporting entity.
Reason (R): Rule 3 Clause (C) specifically mandates the recording of such transactions where forgery facilitates the transaction.
Which of the following is correct?
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2018

44. Match the following financial instruments or services with their categorization under Rule 3:
List I: Financial Instrument/Service
P. Commercial paper
Q. Foreign exchange contracts
R. Letters of credit
S. Collection of bills
List II: Categorization
1. Derivative instrument
2. Debt instrument
3. Instrument for settlement and/or credit support
4. Collection services
(A) P-2, Q-1, R-3, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-2, R-4, S-1
(D) P-4, Q-3, R-1, S-2

Oct/Nov 2024

45. Which of the following statements regarding the procedure for furnishing information to the Director under Rule 8 is incorrect?
(A) Suspicious transactions must be reported within seven working days of identifying the activity as such.
(B) Every day of delay in reporting a transaction constitutes a separate violation under the rules.
(C) Reporting of immovable property sales valued at fifty lakh rupees or more is required monthly.
(D) The Principal Officer of the reporting entity is primarily responsible for the furnishing of reports.

May/June 2007

46. If a client undertakes a series of specified transactions that the reporting entity considers suspicious or likely to involve proceeds of crime, what is the mandatory course of action under Section 12AA?
(A) Immediately freeze the client's account without providing any prior legal notice.
(B) Increase monitoring and scrutiny of the client's future business relationship.
(C) Confiscate all funds involved in the transactions suspected of criminal connection.
(D) Transfer the suspicious funds to a government designated non-profit organization.

Oct/Nov 2019

47. A bank decides to transition its entirely paper-based record-keeping system to a digital-only format. However, according to Rule 6 concerning the procedure for maintaining information, what compliance requirement must the bank adhere to?
(A) The information should be maintained exclusively in soft copies to save physical space.
(B) Information must be kept in hard and soft copies as specified by RBI or SEBI.
(C) The bank is prohibited from using soft copies and must retain original hard copies permanently.
(D) The bank may maintain records in any format as long as it is approved by the branch manager.

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May/June 2021

48. Match the transaction types with their defining characteristics under Rule 3 of the Prevention of Money Laundering Rules:
List I: Transaction Type
P. Clause (A) transactions
Q. Clause (B) transactions
R. Clause (BA) transactions
S. Clause (C) transactions
List II: Characteristic
1. Cash transactions where forged or counterfeit currency notes have been used

2. Receipts by non-profit organizations of value more than rupees ten lakh
3. Cash transactions of the value of more than ten lakh rupees
4. Series of connected cash transactions aggregating to more than ten lakh rupees in a month

(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2010

49. A registered non-profit organization receives a single donation via wire transfer amounting to Rs. 12 lakhs. According to Rule 3, is the reporting entity required to maintain a record of this specific transaction?
(A) Yes, receipts by non-profits exceeding ten lakh rupees must be recorded.
(B) No, because non-profit organizations are exempt from transaction tracking under PMLA.
(C) No, because the rule applies only to cash donations, not wire transfers of this value.
(D) Yes, but only if the non-profit organization is located in a jurisdiction outside India.

May/June 2005

50. Which of the following pairs incorrectly matches the transaction type with its monetary threshold under Rule 3?
(A) Integrally connected series of cash transactions in a month : Exceeds ten lakh rupees
(B) Cross border wire transfers : More than five lakh rupees
(C) Purchase of immovable property : Valued at twenty lakh rupees or more
(D) Receipts by non-profit organizations : More than ten lakh rupees

Oct/Nov 2022

51. Which of the following pairs correctly matches the method of furnishing information with the specific type of transaction under Rule 8(2)?
(A) Cross border wire transfers : Exclusively by registered physical post
(B) Immovable property transactions : By verbal communication only
(C) Cash transactions exceeding 10 lakhs : Promptly not later than seven working days
(D) Suspicious transactions : Promptly in writing or by fax or by electronic mail

May/June 2014

52. A foreign national, who is not entitled to obtain an Aadhaar number, approaches a bank in India to initiate a high-value remittance that qualifies as a "specified transaction". Under Section 12AA, how should the bank proceed?
(A) Refuse the transaction outright as Aadhaar authentication is strictly mandatory without exception.
(B) Allow the transaction without any identity verification since foreign nationals are exempt from PMLA.
(C) Request the client to apply for an Aadhaar card and hold the transaction indefinitely until it is issued.
(D) Use a prescribed alternative verification process to authenticate identity.

Oct/Nov 2007

53. How does Rule 3(B) define the condition under which a series of cash transactions individually valued below rupees ten lakh must be recorded?
(A) When they occur within one financial year and the annual aggregate exceeds fifty lakh rupees.
(B) When they involve deposits into a non-monetary account spanning three consecutive months.
(C) When they are monthly-connected and aggregate to more than ten lakh rupees.
(D) When they are executed by a non-profit organization regardless of the specific time frame.

May/June 2025

54. An investigative agency approaches a bank requesting details of a historical transaction to trace illicit funds. To fulfill the requirements of Rule 4, the bank's records must be able to reconstruct the transaction. Which set of details MUST the bank have preserved?
(A) Only the names of the parties and the total account balance at year-end.
(B) The transaction amount and the biometric thumbprint of the depositor.
(C) Records of the date, amount, currency, nature, and parties involved.
(D) The date of the transaction and the branch manager's approval signature.

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Oct/Nov 2014

55. Consider the following components as per Rule 3:

I. Subscription to debt instruments like preferential shares.
II. Interbank participation.
III. Purchase and negotiation of cheques.
IV. Standby letters of credit.
V. Solvency certificates.

Which of the above are included under loans and advances?

(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, II, III, IV, and V

May/June 2019

56. Evaluate the following statements regarding Enhanced Due Diligence (Section 12AA):

I. Identity verification is required prior to the commencement of a specified transaction.
II. Additional steps must be taken to examine the client's ownership and financial position.
III. Additional steps must be taken to record the purpose behind conducting the specified transaction.
IV. Information obtained during enhanced due diligence must be maintained for a period of ten years.
V. The intended nature of the relationship between the transaction parties must be recorded.

Which combination indicates the correct provisions?

(A) I, II, III, and IV
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2006

57. According to Rule 8, by what date must the Principal Officer furnish the information in respect of transactions referred to in clauses (A), (B), (BA), (C) and (E) of sub-rule (1) of rule 3 to the Director?

(A) Every month by the 15th day of the succeeding month.
(B) Every month by the 10th day of the succeeding month.
(C) Every quarter by the 15th day of the month succeeding the quarter.
(D) Within seven working days of the transaction.

May/June 2023

58. According to Rule 3, suspicious transactions involving money transfer or remittances may occur via which of the following?

I. Telegraphic or wire transfers.
II. Internet transfers.
III. Automated Clearing House remittances.
IV. Lock box driven transfers or remittances.

Which of the above statements is/are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2018

59. Under Rule 4, what is the underlying objective of specifying the necessary information that must be contained in the records?

(A) To evaluate the profitability of the customer's account for the bank.
(B) To determine the tax liability of the transacting parties.
(C) To permit the reconstruction of the individual transaction.
(D) To share marketing data with third-party vendors.

NODIA

May/June 2012

60. Which of the following pairs correctly matches the transaction type with its corresponding monetary threshold under Rule 3?

(A) Cross border wire transfers : More than ten lakh rupees
(B) Purchase of immovable property : Valued at fifty lakh rupees or more
(C) Receipts by non-profit organizations : More than five lakh rupees
(D) Single cash transactions : More than five lakh rupees

Oct/Nov 2009

61. Which statement accurately describes the mandate for a banking company regarding the verification of a client's identity?

(A) Identity verification is strictly prohibited until the account has been active for one month.
(B) Only the permanent address needs to be verified; current address and financial status

are optional.
(C) Verify identity at account opening or within a reasonable time thereafter.
(D) Verification of identity is solely the responsibility of the client, not the banking company.

May/June 2016

62. In a scenario where an importer opens a current account in a bank branch using forged identity documents to remit funds abroad without disclosing the beneficial owner, which specific money laundering case serves as a precedent?
(A) Galaxy Impex Money Laundering Case
(B) Rose Valley Money Laundering Case
(C) Hari Naryan Rai Money Laundering Case
(D) Drug Related Money Laundering Case

Oct/Nov 2025

63. The Principal Officer of a bank determines on Tuesday, the 1st of the month, that a complex series of transactions executed two weeks prior is definitively suspicious under Clause (D). By what deadline must the officer furnish this information to the Director to avoid a violation?
(A) Not later than seven working days from Tuesday, the 1st.
(B) By the 15th day of the current month.
(C) By the 15th day of the succeeding month.
(D) Within seven working days from the date the transactions were originally executed.

May/June 2011

64. A group of individuals operating as an unincorporated association wishes to open a bank account to manage funds for a local festival. To comply with the verification rules, which set of documents MUST the bank obtain from them?
(A) Managing body resolution, Power of Attorney, and proof of legal existence.
(B) Official certificate of incorporation and a corresponding formal Board resolution.
(C) Verified trust deed and the registration certificate from the local authority.
(D) A simple declaration signed by any one member of the association without any formal resolution.

Oct/Nov 2020

65. Evaluate the following statements regarding the reporting of suspicious transactions under Rule 8(2):
I. The information must be furnished by the Principal Officer.
II. The timeline to report is not later than seven working days from the date of the transaction itself, regardless of when the suspicion arose.
III. The timeline is not later than seven working days on being satisfied that the transaction is suspicious.
Which combination of statements is correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

May/June 2022

66. Why is the Hari Narayan Rai case historically significant in the context of legal precedents for the Prevention of Money Laundering Act?
(A) It involved the highest fine ever levied against a corporate entity in history.
(B) It was the first PMLA conviction, occurring in January 2017.
(C) It was the first case to deal exclusively with cross border wire transfers.
(D) It resulted in the immediate suspension of a banking company's license.

Oct/Nov 2023

67. Match the type of client with the specific document required for their identity verification:
List I: Type of Client
P. Company
Q. Partnership firm
R. Trust
S. Unincorporated association
List II: Verification Document
1. Trust deed
2. Resolution of the managing body
3. Partnership deed
4. Certificate of incorporation
(A) P-4, Q-3, R-1, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-2, S-1
(D) P-2, Q-1, R-4, S-3

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May/June 2009

68. A reporting entity submits its monthly transaction report on the 15th but subsequently discovers that a transaction was mis-reported. The entity takes 10 extra days beyond the time limit to rectify this mis-reported transaction. What are the regulatory consequences under Rule 8(4)?
(A) The entity is granted a grace period with no consequences.
(B) Daily delay in rectification beyond the limit constitutes a separate violation.
(C) The delay constitutes a single consolidated violation.
(D) The Principal Officer will face immediate rigorous imprisonment for one year.

Oct/Nov 2011

69. In a 2017 case where the Narcotics Control Bureau seized opium and the Enforcement Directorate attached assets worth about Rs. 30 lakh, what was the rigorous imprisonment sentence awarded, which was the highest at that time?
(A) 3 years
(B) 5 years
(C) 7 years
(D) 8 years

May/June 2010

70. A banking company opens an account for a new client but faces a technical outage that prevents immediate verification of the client's identity documents at the exact time of account opening. Under the prescribed rules, what is the legitimate course of action for the bank?
(A) The bank must immediately close the account and freeze the deposited funds.
(B) The bank is permanently exempt from verifying the identity for this specific account.
(C) Verify the client's identity within a reasonable time after account opening.
(D) The bank must report the client to the Director within 24 hours as a suspicious entity.

Oct/Nov 2005

71. Evaluate the following provisions of Rule 8:
I. Clauses (A), (B), (BA), (C) and (E) require monthly reporting.
II. Clause (F) requires quarterly reporting.
III. The reporting deadline for monthly reports is the 15th day of the succeeding month.
IV. The reporting deadline for quarterly reports is the 15th day of the month succeeding the quarter.
V. A mis-reported transaction does not incur penalties if corrected within a year.
Which combination accurately reflects the rule?
(A) I, II, III, and V
(B) I, III, IV, and V
(C) I, II, III, and IV
(D) II, III, IV, and V

May/June 2020

72. When verifying the identity of an individual client, a banking company is required to obtain a certified copy of an officially valid document containing details of all the following, EXCEPT:
(A) Permanent address
(B) Current address
(C) Nature of business and financial status
(D) Educational qualifications

Oct/Nov 2015

73. In a scenario where a politically exposed person utilizes illegal income generated from the misappropriation of public money to establish construction companies in the names of family members, projecting these assets as untainted, which case serves as a legal precedent?
(A) Galaxy Impex Money Laundering Case
(B) Hari Naryan Rai Money Laundering Case
(C) Drug Related Money Laundering Case
(D) Rose Valley Money Laundering Case

May/June 2013

74. Regarding the details of the Galaxy Impex Money Laundering Case, which statement is incorrect?
(A) K Liakath Ali made a foreign outward remittance of USD 28 lakh.
(B) A current account was opened in the name of Galaxy Impex using forged identity documents.
(C) The accused was sentenced to 7-year imprisonment and levied a fine of Rs. 1 crore.
(D) Transfers were made with full beneficial owner disclosure to authorities.

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Oct/Nov 2021

75. For how long must the records relating to the identity of clients be maintained from the date of cessation of the transactions between the client and the banking company?
(A) Three years
(B) Five years
(C) Seven years
(D) Ten years

May/June 2024

76. Consider the following documents for identity verification:
I. Certificate of incorporation.
II. Memorandum and articles of association.
III. Board resolution or the power of attorney.
IV. Officially valid document in respect of the person operating the account.
Which of the above are required to verify the identity of a Company?
(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2008

77. Consider the following money laundering case convictions:
I. Conviction of Arun Mukherjee in the Rose Valley case.
II. Conviction of former Jharkhand Minister Hari Narayan Rai.
III. Conviction of K Liakath Ali in the Galaxy Impex case.
IV. Conviction of Allauddin Sheikh in the drug-related case.
Which of the following is the correct chronological sequence of these convictions?
(A) II, IV, I, III
(B) IV, II, III, I
(C) II, I, IV, III
(D) I, II, III, IV

May/June 2006

78. A bank executes a high volume of cross border wire transfers exceeding five lakh rupees (Clause E) during the month of July. According to Rule 8(1), when is the Principal Officer required to report these transactions to the Director?
(A) By July 31st.
(B) By August 15th.
(C) By October 15th.
(D) Within seven working days of each individual transfer.

Oct/Nov 2017

79. Which of the following pairs of client type and required verification document is INCORRECT?
(A) Company : Memorandum and articles of association
(B) Trust : Power of attorney granted to the person conducting the transaction
(C) Partnership firm : Registration certificate
(D) Unincorporated association : Information to establish legal existence

May/June 2008

80. Based on the legal proceedings of the Rose Valley Money Laundering Case, what was the primary financial instrument floated by the real estate company and its associates to illegally raise Rs. 12.82 crores?
(A) Secured Non-Convertible Debentures
(B) Equity Shares
(C) Sovereign Gold Bonds
(D) Commercial Papers

NODIA

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ANSWERS

1. (D) Concealment, possession, acquisition, use, or projecting/claiming as untainted property.
Section 3 of the Prevention of Money Laundering Act defines the offence. It clarifies that any person directly or indirectly attempting to indulge or knowingly assisting or knowingly being a party or actually involved in any process or activity connected with the proceeds of crime, including its concealment, possession, acquisition, or use, is guilty of the offence of money laundering.

2. (C) The Central Government has no authority to exempt any reporting entity from the obligations under Chapter IV.
Under the Prevention of Money Laundering Act, reporting entities are mandated to maintain transaction records for five years from the transaction date and identity documents for five years after the business relationship ends. While reporting entities must keep information confidential, the Central Government possesses the legal authority to exempt specific reporting entities or classes from these statutory obligations via notification.

3. (A) II, IV, I, III
The Prevention of Money Laundering Act was enacted in 2002 to address financial crimes. Subsequently, the Prevention of Money Laundering (Maintenance of Records) Rules were framed in 2005. The Amendment Act making the Designated Director provision effective followed, and later, Section 12AA was introduced in 2019 to incorporate enhanced due diligence requirements for reporting entities within the legislative framework.

4. (A) I, II, and IV
Reporting entities must maintain records of all transactions for five years from the transaction date to enable reconstruction. They are also required to keep documents evidencing the identity of clients and beneficial owners, along with business correspondence. However, information maintained or furnished by reporting entities is strictly confidential and is not publicly accessible unless specifically provided under law.

5. (C) Assertion (A) is true, but Reason (R) is false.
The explanation to Section 3 of the Act clarifies that the process or activity connected with proceeds of crime is a continuing activity. This legal characterization means the offence continues as long as a person is in any way enjoying the proceeds of crime. The activity does not depend on the formal closure of banking accounts associated with the transaction.

6. (B) Section 12AA was added, requiring enhanced due diligence for specified transactions.
The 2019 legislative update introduced Section 12AA into the Prevention of Money Laundering Act. This provision mandates that every reporting entity must perform enhanced due diligence prior to the commencement of any specified transaction. This includes verifying client identity through various modes and examining the ownership, financial position, and the intended nature of the business relationship for such transactions.

7. (B) 15-02-2013
The Prevention of Money Laundering (Amendment) Act, 2012, introduced significant revisions to the original 2002 legislation to strengthen the anti-money laundering framework in India. This specific amendment act, which expanded the definition of the offence and modified the obligations of reporting entities, was officially brought into force by the central government on February 15, 2013, across the country.

8. (B) I, II, III, and IV
Section 4 prescribes rigorous imprisonment for the offence of money laundering, ranging from three to seven years. The offender is also liable to a fine. While the standard maximum is seven years, offences related to paragraph 2 of Part A of the Schedule allow imprisonment up to ten years. Thus, the general standard for imprisonment remains capped at seven years.

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4. Every month by the 15th day of the succeeding month

(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-1, Q-2, R-3, S-4
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2017

37. Section 12AA requires enhanced due diligence for "specified transactions". This definition includes all of the following EXCEPT:

(A) Any purely domestic electronic transfer below ten thousand rupees.
(B) Any withdrawal or deposit in cash, exceeding such amount as prescribed.
(C) Any transaction in foreign exchange, exceeding such amount as prescribed.
(D) Any transaction in any high value imports or remittances.

May/June 2008

38. Consider the following statements regarding Rule 3 provisions on record maintenance:

I. Records must include credits or debits into or from any non-monetary accounts such as d-mat accounts.
II. Remittances for credit or loading to electronic cards are explicitly covered under money transfer or remittances.
III. Cross border wire transfers must be recorded only if both the origin and destination of funds are in India.
IV. Transactions where forgery of a valuable security has taken place facilitating the transaction must be recorded.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

Oct/Nov 2013

39. Which of the following pieces of information is NOT explicitly listed in Rule 4 as necessary to be contained in the records?

(A) The nature of the transactions.
(B) The amount of the transaction and the currency in which it was denominated.
(C) The date on which the transaction was conducted.
(D) The credit score of the parties to the transaction.

May/June 2015

40. Consider the following instruments and methods of transaction:

I. Cheques, pay orders, and demand drafts.
II. Travelers cheques.
III. Transfer from one account within the same banking company, including Nostro and Vostro accounts.

Under Rule 3, Clause (D) specifies that suspicious transactions must be recorded whether or not made in cash. Which of the above does this include regarding deposits and credits?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2016

41. Consider the following statements regarding Rule 8 of the Prevention of Money Laundering Rules:

I. Information in respect of cross border wire transfers (Clause E) is to be furnished every quarter.
II. Delay of each day in not reporting a transaction beyond the specified time limit shall constitute a separate violation.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

NODIA

May/June 2017

42. Given below are two statements, one labeled as Assertion (A) and the other as Reason (R):

Assertion (A): A reporting entity must take additional steps to examine the ownership and financial position of a client prior to a specified transaction.

Reason (R): This is mandated under Section 12AA to examine the sources of funds of the client as part of enhanced due diligence.

Which of the following is correct?

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

reconstruction of individual activities. Furthermore, entities must furnish information regarding these transactions to the Director within the prescribed time. Unlike a flat rate for all categories, the value of transactions that must be reported is specifically prescribed by the Central Government and varies depending on the nature of the transactions.

18. (A) It is a continuing activity while a person is enjoying the proceeds of crime.
The statute specifies that any process or activity connected with the proceeds of crime is a continuing activity. This legal interpretation ensures that the offence remains active as long as the person is in possession of or enjoying the proceeds of crime in any manner. It is not a one-time event and does not conclude upon the initial transaction or deposit.

19. (D) Confiscate the assets of a client immediately upon suspecting a transaction is connected to crime.
Reporting entities are obligated to maintain detailed transaction records, furnish information about both executed and attempted transactions to the Director, and keep identity documents of clients and beneficial owners. However, the Act does not grant reporting entities the authority to immediately confiscate a client's assets upon suspicion. Confiscation is a judicial process that follows specific legal procedures and court orders.

20. (A) The offender is exclusively penalized with imprisonment and is exempt from financial fines.
Punishment for money laundering involves both rigorous imprisonment and a mandatory fine. The standard term of imprisonment is between three and seven years. However, if the proceeds of crime relate to offences under paragraph 2 of Part A of the Schedule, such as narcotic drugs, the maximum imprisonment extends to ten years. Financial fines are an integral part of the penalty structure.

21. (C) Any transaction in foreign exchange, exceeding such amount as may be prescribed.
Section 12AA defines specified transactions for which enhanced due diligence is mandatory. These include any withdrawal or deposit in cash exceeding prescribed limits, transactions in foreign exchange above prescribed amounts, high-value imports or remittances, and any other transaction with a high risk of money laundering. Routine bank activities or low-value domestic transfers do not typically fall under this specific definition.

22. (B) Section 3 defines it as involvement in processes or activities connected with proceeds of crime.
The offence of money laundering is structurally defined under Section 3 of the Prevention of Money Laundering Act. It involves direct or indirect involvement in any process or activity connected with the proceeds of crime, such as concealment, possession, acquisition, use, or projecting the property as untainted. This definition is central to the Act and provides the basis for criminal liability.

23. (A) I, II, and IV
Section 3 states that directly or indirectly attempting to indulge in activities connected with proceeds of crime constitutes an offence. The Act also clarifies through an explanation that enjoying proceeds of crime in any manner is a continuing activity. However, the comprehensive definition of the offence is found within Section 3 itself, rather than being a separate, standalone preliminary definition in Section 2.

24. (A) Only I
Under the Act, the Central Government has the authority to exempt any reporting entity or class of entities from Chapter IV obligations via notification. Additionally, the reporting requirements for entities are not limited to executed transactions; they must also furnish information regarding attempted transactions. This comprehensive reporting helps authorities monitor and prevent potential money laundering activities before they are fully realized.

25. (D) 10 years
While the standard maximum punishment for money laundering is seven years of rigorous imprisonment, Section 4 provides an exception for specific offences. If the proceeds of crime relate to any offence specified under paragraph 2 of Part A of the Schedule, which includes offences under the Narcotic Drugs and Psychotropic Substances Act, the maximum term of imprisonment can extend to ten years.

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presents the cheque for payment at the counter. The teller, ignoring the stop instruction on the system, pays cash to Mr. B. The bank later claims protection arguing Mr. B was in physical possession of the instrument. Is the bank's payment considered "payment in due course"?

(A) Yes, as the bank is entitled to rely on the physical possession of the instrument by the named payee for payment.
(B) No, as the bank acted with negligence by ignoring its own internal stop payment records during transaction processing.
(C) Yes, as the banker is legally bound to honour any bearer instrument presented at the counter regardless of alerts.
(D) No, as the Act explicitly excludes all cash payments made over the counter from the definition of due course.

May/June 2006

7. When did the Negotiable Instruments Act, 1881 come into force?

(A) First day of April 1881
(B) First day of March 1882
(C) First day of January 1882
(D) First day of September 2018

Oct/Nov 2011

8. Regarding the definition of a "Cheque" under Section 6, consider the following statements:

I. It is a bill of exchange drawn on a specified banker.
II. It is not expressed to be payable otherwise than on demand.
III. It includes the electronic image of a truncated cheque.
IV. It includes a cheque in the electronic form.
V. A cheque in electronic form can be signed using a secure system with a digital signature or electronic signature.

Which combination represents correct statements?

(A) I, II, and III only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2024

9. Under Section 31, a drawee banker must pay a cheque drawn by a customer when duly required to do so. Which of the following is NOT a requisite condition for this duty to arise?

(A) The banker must have sufficient funds of the drawer in his hands.
(B) The payee must maintain an active account with the same drawee bank.
(C) The funds must be properly applicable to the payment of such cheque.
(D) The instructions of the drawer to the banker must clearly be 'to pay'.

Oct/Nov 2020

10. Which of the following is NOT an inherent characteristic generally attributable to negotiable instruments?

(A) They are contracts between two or more persons.
(B) They have a tenor after which they become payable or are payable on sight.
(C) They require mandatory registration with a statutory authority prior to issuance.
(D) They are always in writing, available as a hard copy or soft copy.

May/June 2013

11. When a cheque is originally expressed to be payable to bearer, what protection does Section 85(2) provide to the drawee banker upon payment in due course?

(A) The drawee is discharged only if all endorsements on the back are verified by the drawer.
(B) The drawee is not discharged if the bearer cheque contains an endorsement in full.
(C) The drawee is protected only if the payment is made through a clearing house and not over the counter.
(D) The drawee is discharged notwithstanding any indorsement appearing thereon or any indorsement purporting to restrict further negotiation.

Oct/Nov 2016

12. Which of the following statements concerning the power of the Appellate Court to order payment pending appeal against conviction under Section 148 is incorrect?

(A) The Appellate Court may order the appellant to deposit a minimum of 20% of the fine or total compensation awarded by the trial Court.
(B) The deposit under Section 148 is to be made in lieu of any interim compensation already paid under Section 143A.

NODIA

35. (A) Purchase and sale of immovable property valued at twenty-five lakh rupees or more.
Rule 3 requires recording various transactions, including cash transactions over ten lakh rupees, suspicious transactions, cross-border wire transfers over five lakh rupees, and receipts by non-profits exceeding ten lakh rupees. While the rule covers specific high-value activities, it does not explicitly mandate recording the purchase and sale of immovable property valued at twenty-five lakh rupees or more as a general requirement under Rule 3.

36. (A) P-4, Q-3, R-1, S-2
Under Rule 8, information for standard cash and wire transfer transactions must be furnished monthly by the 15th day of the succeeding month. Suspicious transactions require prompt reporting within seven working days of satisfaction. Immovable property transactions valued at fifty lakh rupees or more are reported quarterly. Furthermore, any delay in rectifying mis-reported transactions is treated as a separate violation for each day delayed.

37. (A) Any purely domestic electronic transfer below ten thousand rupees.
Specified transactions under Section 12AA include cash withdrawals or deposits exceeding prescribed limits, foreign exchange transactions over prescribed amounts, and high-value imports or remittances. These are identified based on their potential risk for money laundering. Routine domestic electronic transfers of low value, such as those below ten thousand rupees, are generally not included in this category for enhanced due diligence purposes under this section.

38. (B) I, II, and IV
Rule 3 mandates recording various financial activities, including credits or debits in non-monetary accounts like d-mat accounts and remittances for electronic cards. It also covers transactions where forgery of valuable security has facilitated the activity. However, the requirement for recording cross-border wire transfers applies when funds are sent from or received in India, rather than being restricted to purely domestic Indian transactions.

39. (D) The credit score of the parties to the transaction.
Rule 4 specifies that records must contain details such as the nature of the transaction, the amount, the currency, the date, and the parties involved. These details are essential for the reconstruction of transactions during investigations. However, the credit score of the parties involved is not explicitly listed as a mandatory piece of information to be maintained in these specific regulatory records under the Act.

40. (D) I, II, and III
Clause (D) of Rule 3 requires reporting entities to maintain records of all suspicious transactions, regardless of whether they are made in cash. This comprehensive requirement includes deposits and credits involving instruments like cheques, pay orders, demand drafts, and travelers cheques. It also covers transfers between accounts within the same banking institution, including those involving Nostro and Vostro accounts, to ensure full transparency.

41. (B) Only II
Rule 8 of the Prevention of Money Laundering Rules mandates the timeline for furnishing information to the Director. While cross-border wire transfers under Clause (E) are reported monthly, not quarterly, the rule is very strict about delays. Any delay of even a single day in reporting a transaction beyond the specified time limit is considered a separate violation, highlighting the importance of timely regulatory compliance.

42. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 12AA requires reporting entities to perform enhanced due diligence for specified transactions. This process involves taking additional steps to examine the ownership and financial position of the client, as well as the sources of their funds. These measures are designed to ensure that the reporting entity has a clear understanding of the client's financial background and the legitimacy of the funds involved.

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59. (C) To permit the reconstruction of the individual transaction.
The primary objective of Rule 4, which specifies the information to be maintained in records, is to ensure that individual transactions can be reconstructed. By requiring details such as date, amount, nature, and parties, the rule provides a clear audit trail. This is essential for investigative agencies to trace the origin and movement of funds, helping to identify and prosecute individuals involved in money laundering.

60. (B) Purchase of immovable property : Valued at fifty lakh rupees or more
Rule 8 requires reporting of immovable property transactions valued at fifty lakh rupees or more. Other thresholds include cross-border wire transfers over five lakh rupees and cash transactions or non-profit receipts exceeding ten lakh rupees. These specific limits are set to capture high-value activities that pose a greater risk of being used for money laundering while exempting smaller, routine transactions from the more intensive reporting requirements.

61. (C) Verify identity at account opening or within a reasonable time thereafter.
Banking companies are mandated to verify the identity of their clients as part of their due diligence obligations. The prescribed rules state that this verification should ideally occur at the time of opening the account. However, if immediate verification is not possible, the bank must ensure that the client's identity is verified within a reasonable time thereafter to ensure compliance with the anti-money laundering framework.

62. (A) Galaxy Impex Money Laundering Case
The Galaxy Impex Money Laundering Case involved an importer who opened a current account using forged identity documents. This was done to facilitate foreign outward remittances without disclosing the true beneficial owner. This case serves as a significant legal precedent for how money laundering can be executed through the misuse of banking channels and the use of falsified documents to bypass identity verification and disclosure requirements.

63. (A) Not later than seven working days from Tuesday, the 1st.
Rule 8(2) mandates that the Principal Officer must report suspicious transactions promptly. The specific timeline is not later than seven working days from the date the officer is satisfied that the transaction is indeed suspicious. Therefore, if suspicion is confirmed on Tuesday, the 1st, the report must be furnished to the Director within seven working days from that specific date of confirmation and satisfaction.

64. (A) Managing body resolution, Power of Attorney, and proof of legal existence.
To verify the identity of an unincorporated association, a bank must obtain several specific documents. These include a resolution from the managing body of the association and a power of attorney granted to the individuals authorized to conduct transactions. Additionally, the bank must obtain information and documents that establish the legal existence of the association, ensuring that the entity and its representatives are properly identified.

65. (B) I and III
Reporting of suspicious transactions is governed by Rule 8, which places the responsibility on the Principal Officer. The rule clarifies that the seven-working-day reporting timeline begins when the officer is satisfied that the transaction is suspicious, rather than from the date the transaction was originally executed. This distinction allows the entity time to investigate and confirm suspicions before making a formal report to the Director.

66. (B) It was the first PMLA conviction, occurring in January 2017.
The Hari Narayan Rai case is a landmark in Indian legal history regarding financial crimes. It is historically significant because it resulted in the first conviction under the Prevention of Money Laundering Act, 2002. This conviction occurred in January 2017 and involved a former state minister, demonstrating the law's ability to hold high-ranking public officials accountable for laundering illicit funds generated through the misuse of public office.

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51. (D) Suspicious transactions : Promptly in writing or by fax or by electronic mail
Rule 8(2) specifies how different types of information should be furnished to the Director. While some reports have monthly or quarterly deadlines, suspicious transactions must be reported promptly. This can be done in writing, by fax, or by electronic mail. This flexibility in communication ensures that the Principal Officer can quickly alert the authorities to potentially illicit activities as soon as they are identified.

52. (D) Use a prescribed alternative verification process to authenticate identity.
For specified transactions, Section 12AA generally requires identity verification through Aadhaar authentication. However, if a person is not entitled to an Aadhaar number, such as certain foreign nationals, the law allows the reporting entity to use other prescribed processes or modes for verification. This ensures that the bank can still fulfill its due diligence obligations and proceed with the transaction using alternative authentication methods.

53. (C) When they are monthly-connected and aggregate to more than ten lakh rupees.
Rule 3(B) defines the recording requirement for a series of cash transactions that are individually below the ten lakh rupee threshold. These transactions must be recorded if they are integrally connected to each other and occur within a single month, provided their total aggregate value exceeds ten lakh rupees. This rule prevents the evasion of reporting requirements through multiple smaller cash deposits or withdrawals.

54. (C) Records of the date, amount, currency, nature, and parties involved.
To comply with Rule 4, a reporting entity's records must contain enough detail to allow for the reconstruction of individual transactions. This necessitates preserving several key pieces of information: the date the transaction was conducted, the exact amount and the currency used, the specific nature of the transaction, and the identity of all parties involved in the financial activity. These details facilitate effective investigations.

55. (D) I, II, III, IV, and V
Under the regulatory framework of the Act, several financial activities are included under the broad category of loans and advances. These include subscriptions to debt instruments like preferential shares, interbank participation, and the purchase or negotiation of cheques. It also encompasses instruments like standby letters of credit and solvency certificates. These items must be monitored as part of the entity's overall lending and credit operations.

56. (B) I, II, III, and V
Section 12AA outlines enhanced due diligence requirements, including identity verification before specified transactions and examining the client's ownership and financial position. The purpose and intended nature of the business relationship must also be recorded. While information must be maintained, the standard period is five years, not ten. Thus, verifying identity and examining client status and transaction purpose are the core components of these provisions.

57. (A) Every month by the 15th day of the succeeding month.
Rule 8 of the Prevention of Money Laundering Rules establishes the reporting schedule for various transaction types. For transactions involving standard cash movements (Clauses A and B), non-profit receipts (Clause BA), forged currency (Clause C), and cross-border wire transfers (Clause E), the Principal Officer must furnish the information to the Director every month. The deadline for this reporting is the 15th day of the succeeding month.

58. (D) I, II, III, and IV
Rule 3 recognizes that suspicious transactions involving money transfers or remittances can occur through various modern and traditional methods. These include telegraphic or wire transfers, internet-based transfers, and Automated Clearing House remittances. Additionally, more specialized methods like lock box driven transfers are covered. Reporting entities must monitor all these channels to identify and record any activities that might be connected to money laundering.

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26. (A) Only I and II
If the Director finds that a reporting entity has failed to comply with its obligations, several actions can be taken under Section 13(2). These include issuing a written warning, directing the entity to comply with specific instructions, or imposing a monetary penalty. The Director does not have the power to immediately order the suspension of a banking license under this section.

27. (A) I, II, III, and IV
Section 12 requires reporting entities to maintain transaction records to allow for reconstruction and to furnish information to the Director, including details of attempted transactions. Account files must also be maintained. Regarding identity records, the law requires maintenance for five years after the business relationship has ended or the account has been closed, rather than from the date of the first transaction.

28. (C) I and III
Section 3 defines money laundering as knowingly assisting or being a party to activities connected with proceeds of crime. This includes the acquisition, possession, or use of such proceeds. For a person to be guilty, there must be an element of knowledge or intent. Therefore, knowingly assisting in acquisition or knowingly being a party to possession constitutes an offence under the law.

29. (C) Information must be kept confidential, except as otherwise provided under any relevant law.
The Act mandates that every piece of information maintained, furnished, or verified by a reporting entity must be kept strictly confidential. This is to protect client privacy and the integrity of the financial system. Disclosures are only permitted if they are authorized or provided for under any other relevant law, ensuring that the information is only shared for legitimate legal or investigative purposes.

30. (D) The minimum imprisonment can be reduced to one year if the financial value of the laundered money is below ten lakh rupees.
Section 4 specifies that the minimum term of rigorous imprisonment for money laundering is three years, and this cannot be reduced regardless of the financial value of the laundered money. The maximum standard term is seven years, extending to ten years for specific scheduled offences. Additionally, the offender is always liable to a fine, making the statement about reduced minimum imprisonment incorrect.

31. (C) All cash transactions exceeding ten lakh rupees or foreign equivalent must be recorded.
Rule 3 of the Prevention of Money Laundering Rules mandates that reporting entities maintain records of all cash transactions exceeding ten lakh rupees or its equivalent in foreign currency. This requirement ensures that high-value cash movements are tracked. The rule also covers series of connected cash transactions that aggregate to more than ten lakh rupees in a single month, regardless of individual amounts.

32. (B) Record the transactions as they are monthly-connected and exceed Rs. 10 lakhs.
According to Rule 3, reporting entities must record all series of cash transactions that are integrally connected to each other and occur within a month, provided they aggregate to more than ten lakh rupees. In this scenario, the total of the four deposits is Rs. 11.5 lakhs, which exceeds the threshold. Therefore, the entity must record these transactions as they are monthly-connected.

33. (A) Only I
Section 12AA allows for the verification of client identity for specified transactions through Aadhaar authentication. However, the law provides flexibility for individuals not entitled to an Aadhaar number. In such cases, the reporting entity may use other prescribed modes or processes for authentication. This ensures that while due diligence is rigorous, it does not unfairly exclude individuals from conducting legitimate financial transactions.

34. (D) RBI or SEBI
Rule 6 of the Prevention of Money Laundering Rules specifies that the procedure and manner of maintaining information must be as prescribed by the relevant regulator. For intermediaries like mutual fund companies, the regulators are the Reserve Bank of India or the Securities and Exchange Board of India. They must follow these specified procedures to maintain records in both hard and soft copies.

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67. (A) P-4, Q-3, R-1, S-2
Different types of clients require specific documents for identity verification. Companies must provide a certificate of incorporation, while partnership firms are verified through a partnership deed. Trusts are required to submit a trust deed for verification. For unincorporated associations, the bank must obtain a resolution from the managing body. These requirements ensure that the legal structure and representatives of each entity are accurately documented by the bank.

68. (B) Daily delay in rectification beyond the limit constitutes a separate violation.
Rule 8(4) emphasizes the importance of accurate and timely reporting. If a reporting entity discovers that a transaction was mis-reported and fails to rectify it within the prescribed time limit, the consequences are severe. Every day of delay in correcting the information beyond the limit is considered a separate violation. This daily penalty structure incentivizes reporting entities to maintain high standards of accuracy and promptness.

69. (D) 8 years
In a notable 2017 case, the Enforcement Directorate successfully prosecuted a money laundering case following an opium seizure by the Narcotics Control Bureau. The court awarded a sentence of eight years of rigorous imprisonment, which at that time was the highest sentence ever given for a PMLA conviction. This case highlighted the severe legal consequences for money laundering offences, particularly those connected to narcotics trafficking.

70. (C) Verify the client's identity within a reasonable time after account opening.
The rules governing client identity verification recognize that immediate authentication may not always be possible due to technical or practical reasons. In such scenarios, the bank is permitted to verify the client's identity within a reasonable time after the account has been opened. This provision allows for operational flexibility while ensuring that the bank remains compliant with its long-term due diligence and identity verification obligations.

71. (C) I, II, III, and IV
Rule 8 mandates that cash and wire transfer transactions (Clauses A, B, BA, C, E) be reported monthly by the 15th of the following month. Immovable property transactions (Clause F) are reported quarterly by the 15th day of the month succeeding the quarter. However, the rule does not exempt mis-reported transactions from penalties; in fact, delays in rectification are treated as separate daily violations.

72. (D) Educational qualifications
When verifying the identity of an individual client, a banking company must obtain certified copies of officially valid documents. These documents should provide the client's permanent address, current address, and information regarding their nature of business and financial status. While these details are essential for a comprehensive risk assessment, the client's educational qualifications are not a mandatory requirement for identity verification under these specific rules.

73. (B) Hari Naryan Rai Money Laundering Case
The Hari Narayan Rai case involved a politically exposed person who laundered illegal income derived from misappropriating public funds. The illicit money was used to establish construction companies in the names of family members, effectively projecting the proceeds of crime as untainted property. This case is a prime example of the "integration" phase of money laundering, where illicit wealth is blended into the formal economy.

74. (D) Transfers were made with full beneficial owner disclosure to authorities.
In the Galaxy Impex case, K Liakath Ali used forged documents to open a current account and remit USD 28 lakh abroad. These transactions were intentionally structured to hide the true beneficial owner from the authorities. Therefore, any claim that these transfers were made with full disclosure of the beneficial owner is incorrect, as the primary aim was to bypass such regulatory transparency and identification requirements.

75. (B) Five years
The Prevention of Money Laundering Act mandates that reporting entities maintain records related to the identity of their clients for

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a specific duration. These records, which include documents evidencing identity and account files, must be kept for a period of five years. This five-year period starts from the date of cessation of the transactions between the client and the banking company or when the account is closed.

76. (D) I, II, III, and IV
To verify the identity of a company, a banking institution must obtain several key documents. These include the certificate of incorporation and the memorandum and articles of association. Additionally, a board resolution or a power of attorney must be provided to identify those authorized to operate the account. Finally, an officially valid document is required for each person who will actually be conducting the transactions.

77. (A) II, IV, I, III
The first conviction under the Prevention of Money Laundering Act was that of Hari Narayan Rai in early 2017. This was followed by the conviction of Allauddin Sheikh in a drug-related case later that year. The conviction of Arun Mukherjee in the Rose Valley case occurred subsequently. The conviction of K Liakath Ali in the Galaxy Impex case followed these, establishing the chronological sequence of these milestones.

78. (B) By August 15th.
Transactions involving cross-border wire transfers exceeding five lakh rupees are covered under Clause (E) of Rule 3. According to Rule 8(1), the Principal Officer must furnish information regarding these transactions to the Director on a monthly basis. The deadline for this report is the 15th day of the month succeeding the month in which the transactions occurred. For July transactions, the report is due by August 15th.

79. (B) Trust : Power of attorney granted to the person conducting the transaction
While trusts are required to provide a trust deed and power of attorney to the persons conducting transactions, the standard requirement for a partnership firm is a partnership deed and registration certificate if registered. For unincorporated associations, legal existence and managing body resolutions are key. However, identifying a trust solely through a power of attorney without its foundational trust deed is insufficient for proper legal identity verification.

80. (A) Secured Non-Convertible Debentures
In the Rose Valley Money Laundering Case, the accused, Arun Mukherjee, and his associates utilized a real estate company to illegally raise Rs. 12.82 crores from the public. The primary financial instrument used for this unauthorized fund collection was Secured Non-Convertible Debentures. This activity, which violated several regulatory norms, led to the first PMLA conviction in West Bengal, with the accused receiving a seven-year sentence.

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CHAPTER 09

Negotiable Instruments Act, 1881

May/June 2015

1. Consider the following statements regarding the payability of a promissory note, bill of exchange, or cheque:

I. It is payable to order if it is expressed to be payable to a particular person and does not contain words prohibiting transfer.

II. It is payable to bearer if the only or last indorsement on it is an indorsement in blank.

III. A negotiable instrument cannot be made payable in the alternative to one of two payees.

Which combination of statements is correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2023

2. X creates an instrument directing Y to pay Rs. 50,000 to Z. In this transaction, X, Y, and Z are distinct entities. Later, Z approaches a bank for discounting the instrument before its due date. Upon examination, the bank notes that acceptance is required before payment. Based on these characteristics, what type of instrument is this?

(A) Promissory Note
(B) Cheque
(C) Bill of Exchange
(D) Truncated Cheque

May/June 2009

3. A drawer of a dishonoured cheque was directed to pay interim compensation and deposited the amount. Subsequently, the drawer was acquitted of the offence. The Court directs the complainant to repay the amount to the drawer. What are the statutory requirements regarding the timeline and interest for this repayment?

(A) Repayment within 30 days without any interest
(B) Repayment within 60 days with interest at the bank rate published by the RBI
(C) Repayment within 90 days with simple interest of 10% per annum
(D) Repayment within 60 days with compound interest at the prevailing repo rate

Oct/Nov 2018

4. Section 10 defines "Payment in due course." Which element is central to determining if a payment qualifies under this definition?

(A) Payment made prior to the date mentioned on a post-dated cheque
(B) Payment made exclusively to a person who presents a bearer cheque, irrespective of suspicious circumstances
(C) Payment made in accordance with the apparent tenor of the instrument in good faith and without negligence
(D) Payment made to an endorsee without verifying the regularity of endorsements

May/June 2022

5. A suit is filed in a Court upon a bill of exchange which has been dishonoured. The plaintiff provides proof of the protest. The defendant claims that the dishonour must be explicitly proved beyond the protest. What shall the Court presume based on the statutory provisions regarding proof of protest?

(A) The Court shall require the plaintiff to provide additional independent evidence of the dishonour.
(B) The Court shall presume the fact of dishonour, unless and until such fact is disproved.
(C) The Court shall dismiss the suit as proof of protest is inadmissible as evidence of dishonour.
(D) The Court shall presume the instrument is valid but will not presume dishonour.

Oct/Nov 2005

6. Mr. A issues a cheque to Mr. B but later issues a "stop payment" instruction to his bank. Mr. B

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43. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Reporting entities must record all cash transactions where forged or counterfeit currency notes have been used as genuine. This is a specific requirement under Rule 3, Clause (C) of the Prevention of Money Laundering Rules. The rule mandates that such transactions, where forgery facilitates the activity, must be documented to help authorities track and investigate the circulation of counterfeit currency within the financial system.

44. (A) P-2, Q-1, R-3, S-4
Rule 3 categorizes various financial instruments for record maintenance. Debt instruments include commercial paper, while foreign exchange contracts are classified as derivative instruments. Letters of credit and standby letters of credit serve as instruments for settlement or credit support. Additionally, services such as the collection of bills are categorized under collection services. Proper classification ensures that all relevant financial activities are accurately monitored.

45. (C) Reporting of immovable property sales valued at fifty lakh rupees or more is required monthly.
Rule 8 specifies the reporting procedures for different transaction types. Suspicious transactions must be reported within seven working days of identification, and the Principal Officer is responsible for these filings. Delays in reporting constitute separate daily violations. However, the reporting of immovable property sales valued at fifty lakh rupees or more is required on a quarterly basis, rather than monthly as suggested in the incorrect statement.

46. (B) Increase monitoring and scrutiny of the client's future business relationship.
If a client undertakes specified transactions that appear suspicious or potentially involve proceeds of crime, Section 12AA mandates that the reporting entity must increase its monitoring of the business relationship. This involves a higher degree of scrutiny for future transactions and activities. Freezing accounts or confiscating funds are extreme measures that typically require specific legal authorizations beyond the initial enhanced due diligence requirements.

47. (B) Information must be kept in hard and soft copies as specified by RBI or SEBI.
While banks can transition to digital records, they must comply with Rule 6 regarding the procedure for maintaining information. This rule states that reporting entities must maintain information in both hard and soft copies in a manner specified by the relevant regulator, such as the Reserve Bank of India or SEBI. This ensures that records are accessible and preserved in formats recognized by authorities.

48. (A) P-3, Q-4, R-2, S-1
Rule 3 defines transaction categories: Clause (A) covers single cash transactions over ten lakh rupees, and Clause (B) covers monthly-connected series aggregating to the same amount. Clause (BA) involves receipts by non-profit organizations exceeding ten lakh rupees. Clause (C) specifically addresses cash transactions involving forged or counterfeit currency notes. These clear categories help reporting entities identify which transactions must be systematically recorded for compliance.

49. (A) Yes, receipts by non-profits exceeding ten lakh rupees must be recorded.
Under Rule 3(1)(BA), reporting entities are required to maintain records of all receipts by non-profit organizations if the value exceeds ten lakh rupees or its equivalent in foreign currency. This requirement applies to both cash and non-cash transactions, such as wire transfers. Therefore, a single donation of Rs. 12 lakhs received via wire transfer by a registered non-profit must be recorded by the entity.

50. (C) Purchase of immovable property : Valued at twenty lakh rupees or more
Rule 3 sets specific monetary thresholds for different transaction types. Cash transactions and receipts by non-profits must exceed ten lakh rupees, while cross-border wire transfers must exceed five lakh rupees. However, the requirement for reporting immovable property transactions, as specified in Rule 8, applies to properties valued at fifty lakh rupees or more, making the twenty lakh rupee threshold for Rule 3 incorrect in this context.

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(C) The amount must be deposited within 60 days from the date of the order, extendable by up to 30 days on sufficient cause.
(D) The Appellate Court is empowered to release the deposited amount in favour of the complainant at any time during the pendency of the appeal.

May/June 2007

13. When differentiating between a Bill of Exchange and a Cheque, which of the following statements is correct?
(A) A cheque may be drawn payable to bearer, whereas a Bill of Exchange cannot be drawn payable to bearer.
(B) A Bill of Exchange is always payable on demand without any grace period.
(C) Payment of a Bill of Exchange can be countermanded by the drawer under certain circumstances.
(D) A cheque requires mandatory acceptance by the banker before payment.

Oct/Nov 2012

14. Which of the following defines a "Promissory note" under Section 4?
(A) An instrument in writing containing an unconditional order to pay a certain sum of money only to a certain person.
(B) An instrument in writing containing a conditional undertaking to pay money to the bearer.
(C) A signed written instrument with an unconditional undertaking to pay a sum of money to a specific person or bearer.
(D) A bank-note or a currency-note containing an undertaking to pay the bearer on demand.

May/June 2025

15. Consider the following statements in the context of legal principles regarding "in good faith and without negligence" in banking:
I. Statutory protection is not provided to a banker who is negligent while paying a cheque.
II. Failure to notice whether or not all endorsements are regular deprives the paying bank of statutory protection.
III. Negligence by the bank makes the drawer liable to the payee for the full amount.
Which combination is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2008

16. In a cheque dishonour offence trial, a competent Court orders the drawer to pay interim compensation to the complainant upon framing of charge. What is the statutory limit on this interim compensation amount?
(A) Not exceeding 10% of the fine imposed
(B) Not exceeding 20% of the cheque amount
(C) Minimum 20% of the compensation awarded
(D) Maximum 30% of the cheque amount

May/June 2010

17. Consider the following statements regarding exceptions where a holder may claim directly against a drawee bank despite wrongful dishonour:
I. In the event of the winding up of the bank, the holder becomes a creditor as far as the bank is concerned and is entitled to make a claim.
II. If the bank ignores the crossing on the cheque and pays, resulting in fraud, it becomes liable to the true holder/payee.
Which of the statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2014

18. Match the characteristic of a negotiable instrument with its correct transferability rule:
(A) Payable to order - Transferable by endorsement and delivery
(B) Payable to order - Transferable by simple delivery without endorsement
(C) Payable to bearer - Transferable by endorsement and delivery
(D) Instrument in electronic form - Not transferable under any circumstances

May/June 2019

19. Under Section 7 of the Negotiable Instruments Act, 1881, how is the "drawee" defined?
(A) The maker of a bill of exchange or cheque
(B) The person named in the instrument to whom the money is directed to be paid

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Oct/Nov 2007

68. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): Under amended Section 148, the Supreme Court has interpreted that the Appellate Court's direction to deposit a minimum 20% amount is generally a rule.
Reason (R): Not directing such deposit by the appellate court is an exception for which special reasons must be assigned.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2017

69. Examine the following statements concerning the general characteristics of negotiable instruments:
I. They can be payable to order, which are transferable by endorsement and delivery.
II. They can be payable to bearer, which are transferable by simple delivery.
III. They never require the signature of the issuer.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2025

70. Consider the following statements regarding a drawer who was ordered to pay interim compensation under Section 143A and is subsequently acquitted:
I. The Court shall direct the complainant to repay the amount to the drawer.
II. The repayment must include interest at the bank rate as published by the Reserve Bank of India.
III. The repayment must be executed within 60 days, extendable by not exceeding 30 days on sufficient cause.
Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2020

71. Under Section 142 relating to cognizance of offences, evaluate these statements:
I. No court inferior to a Metropolitan Magistrate or a Judicial Magistrate of the first class shall try any offence under section 138.
II. The complaint must be made in writing by the payee or holder in due course.
III. The complaint must be made within one month of the cause of action arising.
IV. The Court can take cognizance after the prescribed period if sufficient cause for delay is shown.
V. The offence is tried in the jurisdiction where the drawee bank is located, regardless of where the cheque was deposited for collection.
Which combination of statements is correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, II, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2010

72. Consider the following statements regarding the provisions of Section 131A and related explanations:
I. The provisions of Section 131 apply to any draft as if the draft were a cheque.
II. The collecting banker must verify the prima facie genuinenity of the truncated cheque.
III. The collecting banker must ensure any fraud or tampering apparent on the face is verified with due diligence.
IV. Statutory protection is available even if the collection is done without complying with KYC guidelines.
V. A banker is deemed to receive payment for a customer even if it credits the customer's account before receiving payment.
Which combination of statements is correct?
(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

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Oct/Nov 2007

26. Consider the following statements regarding the application and timeframe of Section 143A of the Negotiable Instruments Act:

I. Interim compensation must be paid within 60 days from the date of the passing of the order by the Court, extendable by up to 30 days upon showing sufficient cause.

II. The provisions regarding interim compensation have a retrospective effect and apply to cases initiated before the amendment.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2017

27. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:

Assertion (A): A bank is not protected if it pays a post-dated cheque before the date mentioned on the instrument.

Reason (R): Payment of a post-dated cheque before its date violates the requirement of payment in accordance with the apparent tenor of the instrument.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2025

28. Match the items in List I with the items in List II and select the correct answer using the codes given below:

List I: (Presumptions under Section 118)

P. Every transfer of a negotiable instrument was made before its maturity
Q. Every accepted bill of exchange was accepted within a reasonable time after its date and before its maturity
R. The indorsements appearing upon a negotiable instrument were made in the order in which they appear
S. Every negotiable instrument was made or drawn for consideration

List II: (Subject Matter)

1. As to order of indorsements
2. Of consideration
3. As to time of acceptance
4. As to time of transfer

(A) P-4, Q-3, R-1, S-2
(B) P-3, Q-4, R-2, S-1
(C) P-4, Q-1, R-3, S-2
(D) P-1, Q-2, R-4, S-3

May/June 2020

29. Match the items in List I with the items in List II and select the correct answer using the codes given below:

List I: (Terminology under Section 7)

P. Drawer
Q. Drawee in case of need
R. Acceptor
S. Payee

List II: (Description)

1. The person named in the instrument to whom or to whose order the money is directed to be paid
2. The maker of a bill of exchange or cheque
3. The drawee who has signed his assent upon the bill and delivered it
4. A person whose name is given in addition to the drawee to be resorted to if required

(A) P-2, Q-4, R-3, S-1
(B) P-1, Q-3, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-1, R-2, S-4

Oct/Nov 2010

30. Which of the following written statements correctly qualifies as a valid promissory note?

(A) "Mr. B, I O U Rs. 1,000."
(B) "I promise to pay B Rs. 500, first deducting there out any money which he may owe me."
(C) "I promise to pay B Rs. 500 seven days after my marriage with C."
(D) "I acknowledge myself to be indebted to B in Rs. 1,000, to be paid on demand, for value received."

May/June 2023

31. A company issues a cheque for Rs. 6,500. The cheque is intercepted and the date, payee name, and amount are skillfully altered. The bank pays the cheque since the alterations are entirely

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(D) Alteration of the amount of the cheque

May/June 2015

43. Regarding the statutory protection available to a collecting banker, which of the following statements is incorrect?
(A) The protection is available only for crossed cheques.
(B) The protection is strictly limited to when the bank collects as an agent and never as a holder for value.
(C) The collection must be on behalf of a customer.
(D) The collection must be done in good faith and without negligence.

Oct/Nov 2023

44. Match the items in List I with the items in List II and select the correct answer using the codes given below:
List I: (Condition for Holder in Due Course)
P. Consideration
Q. Maturity
R. Good faith
S. Regularity
List II: (Requirement)
1. The instrument should be complete and not an inchoate document
2. The person must have no cause to believe that any defect exists in the title
3. Instrument must be acquired before the amount mentioned became payable
4. The instrument must be acquired for value
(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-3, R-4, S-1

May/June 2009

45. According to standard banking regulations and effective legal notifications, what is the validity period of cheques (including Drafts, Pay orders, and Banker's Cheques)?
(A) Six months
(B) Three months
(C) Ninety days strictly
(D) One year

Oct/Nov 2018

46. Arrange the following sequence of events involving a dispute over a negotiable instrument in the correct order:
1. An individual used a company's seal to endorse a cheque as manager and encashed it over the counter fraudulently.
2. An uncrossed cheque was issued in favor of a company for the purchase of goods.
3. The company sued the Bank for recovery of the money.
4. The cheque was delivered to an official of the company.
(A) 2, 4, 1, 3
(B) 2, 1, 4, 3
(C) 4, 2, 1, 3
(D) 1, 2, 4, 3

May/June 2022

47. Under Section 138, a person is deemed to have committed an offence if a cheque is returned unpaid due to insufficiency of funds. Which of the following conditions must be satisfied for this section to apply?
I. The cheque must be presented to the bank within its validity period.
II. The payee makes a demand for payment by giving a written notice within 30 days of receiving information of return.
III. The drawer fails to make payment within 15 days of receiving the notice.
IV. The cheque must be drawn for the discharge of a legally enforceable debt or other liability.
Which combination is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2005

48. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): A bank may be unable to claim statutory protection under Section 89 if material alterations are visible.
Reason (R): Material alterations on a cheque must be authenticated by the drawer's initials or signatures for the bank to be discharged upon payment.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

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a stranger acting highly suspiciously, offering reasonable grounds to believe he is not entitled to the payment, will the bank be protected?

(A) No, as paying under suspicious circumstances violates the condition of acting in good faith without negligence.
(B) Yes, provided the apparent tenor of the cheque is in order and funds are sufficient.
(C) Yes, Section 85 offers absolute immunity to the paying banker for any order cheque.
(D) No, because Section 85 only protects collecting bankers, not paying bankers.

Oct/Nov 2013

38. A drawer stops payment on a cheque. Without knowing this, the payee endorses the cheque to a branch manager of another bank, who in good faith advances money on the cheque. Applying established legal principles, what is the right of the bank that advanced the money?

(A) The bank must recover the money only from the payee.
(B) The bank loses its money because a stopped cheque is immediately void against all parties.
(C) The bank becomes the paying banker and must bear the loss.
(D) The bank is the holder for value and is entitled to relief against the drawer despite the stop payment notice.

May/June 2008

39. A forged cheque is deposited by a customer into his account with a bank. The cheque is cleared through the CTS system and paid by the drawer's bank. The drawer's bank sues the collecting bank claiming it failed to detect the forgery. Evidence shows the collecting bank complied with all KYC guidelines and the forgery was not apparent. Based on established legal precedents, what is the outcome?

(A) The collecting bank is liable because it holds strict liability for any forged cheque it collects.
(B) Both banks must share the loss 50:50.
(C) The collecting bank is liable because the CTS system mandates the collecting bank to verify the drawer's signature.
(D) The collecting bank is not liable as it followed KYC norms and the paying bank was responsible for signatures.

Oct/Nov 2024

40. In a legal dispute where a customer's account was debited using cheques from a cheque book never issued to him, and the signatures were significantly different from his regular signature, what principle illustrates the bank's liability?

(A) The bank is protected under Section 85 as long as payment is made over the counter.
(B) The customer must bear the loss because maintaining cheque book security is the customer's sole responsibility.
(C) Protection under Section 131 completely absolves the paying bank.
(D) The bank cannot claim protection if there is evidence of fraud, signature discrepancies, and failure of due diligence.

May/June 2005

41. Match the items in List I with the items in List II and select the correct answer using the codes given below:

List I: (Provisions under Section 141)

P. Person liable if in charge of the conduct of business at the time of the offence
Q. Exemption from prosecution under Section 141
R. Liability of Director/Manager if offence committed with their consent/connivance
S. Definition of "company" for this section

List II: (Description)

1. Includes a firm or other association of individuals
2. Shall be deemed guilty and liable to be proceeded against
3. Every such person shall be deemed to be guilty of the offence
4. A person nominated as a Director by Central/State Govt. by virtue of holding office

(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-2, Q-1, R-4, S-3
(D) P-1, Q-2, R-3, S-4

Oct/Nov 2021

42. Which of the following alterations is NOT considered a material alteration that requires the consent and full signature of the drawer?

(A) Alteration in the date of the instrument
(B) Alteration of the name of the payee
(C) Conversion of a blank endorsement into an endorsement in full

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May/June 2007

55. Which section of the Negotiable Instruments Act, 1881 provides statutory protection to a collecting banker receiving payment for a customer?
(A) Section 131
(B) Section 31
(C) Section 85
(D) Section 89

Oct/Nov 2012

56. What constitutes a "material alteration" of a negotiable instrument under established legal principles?
(A) An alteration which substantially alters the instrument and the liabilities of the parties to it, irrespective of potential benefit.
(B) Any physical folding or creasing of the instrument that does not obscure text.
(C) An alteration made by the drawer with his full signature confirming the change.
(D) The addition of a crossing by a holder on an uncrossed cheque.

May/June 2025

57. Arrange the statutory steps to initiate a valid complaint under Section 138 in chronological order:
1. Payee receives information from the bank regarding the return of the cheque as unpaid.
2. Drawer fails to make payment within 15 days of receipt of the notice.
3. Payee gives a notice in writing to the drawer within thirty days.
4. Cheque is presented to the bank within a period of six months or its validity, whichever is earlier.

(A) 4, 1, 3, 2
(B) 1, 4, 3, 2
(C) 4, 3, 1, 2
(D) 1, 3, 4, 2

Oct/Nov 2008

58. As per Section 8 of the Negotiable Instruments Act, 1881, which individual qualifies as the "holder" of a promissory note, bill of exchange, or cheque?
(A) Any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon.
(B) Any person in physical possession of the instrument, including a finder.
(C) A person who has stolen the instrument and forged the payee's signature.
(D) A collecting banker receiving the instrument exclusively for the purpose of CTS scanning.

May/June 2010

59. Regarding the duties associated with a truncated cheque under the Negotiable Instruments Act:
(A) Paying banker - Verify prima facie genuineness of the truncated cheque and ensure no apparent tampering
(B) Clearing house - Indemnify the drawer for any material alteration
(C) Collecting banker - Verify the prima facie genuineness and ensure no apparent fraud or tampering on the face
(D) Drawer - Ensure exactness of electronic image while transmitting

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Oct/Nov 2014

60. A defendant signs a blank stamp paper and delivers it to the plaintiff. The plaintiff completes it, makes himself the payee of the instrument, and files a suit for recovery. How is the plaintiff's status generally interpreted in such a scenario?
(A) The plaintiff is a holder in due course because he possesses the physical instrument.
(B) The plaintiff is not a holder in due course as an inchoate stamped instrument does not grant such status.
(C) The plaintiff is a holder in due course because he provided consideration.
(D) The plaintiff is protected under Section 89 for making apparent alterations.

May/June 2019

61. Match the items in List I with the items in List II and select the correct answer using the codes given below:
List I: (Sections of the Negotiable Instruments Act)
P. Section 138
Q. Section 142
R. Section 144
S. Section 147
List II: (Primary Subject Matter)
1. Mode of service of summons
2. Offences to be compoundable
3. Dishonour of cheque for insufficiency of funds
4. Cognizance of offences

(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2006

49. Consider the following statements regarding the negligence of a collecting banker:
I. The collecting bank acts without negligence if it blindly confirms a fictitious endorsement.
II. It is the duty of the collecting bank to act without negligence to claim Section 131 protection.
III. Confirming a fictitious endorsement deprives the collecting bank of statutory protection.
Which combination is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2011

50. When a bank obliges a customer by paying the amount of a cheque drawn on another bank before its collection is complete, what legal position does the obliging bank assume?
(A) Agent for collection without any rights
(B) Drawee in case of need
(C) Holder for value
(D) Acceptor for honor

May/June 2024

51. What is the legal presumption established under Section 139 of the Negotiable Instruments Act regarding a cheque received by a holder?
(A) It is presumed that the cheque is a forged instrument unless proved otherwise.
(B) It is presumed that the bank wrongfully dishonoured the cheque.
(C) It is presumed that the drawer has sufficient funds in his account.
(D) It is presumed the holder received the cheque for the discharge of a legally enforceable debt or liability.

Oct/Nov 2020

52. Regarding the protection provided under Section 89 where an alteration is not apparent, which statement is correct?
(A) Section 89 places absolute liability on the drawee banker for any alteration, visible or invisible.
(B) A bank is required to verify every cheque under an ultraviolet lamp to claim protection under Section 89.
(C) If an electronic image of a truncated cheque shows a difference from the physical cheque, it is not considered a material alteration.
(D) Payment on a materially altered cheque discharges the banker if the alteration is not apparent and payment follows the tenor.

May/June 2013

53. Regarding the concept of a "Holder," consider the following statements:
I. Physical possession is not strictly required; entitlement to possession in one's own name is sufficient.
II. A person who receives a negotiable instrument through forgery cannot be a holder.
III. A finder of a lost instrument is legally recognized as a holder.
IV. A holder has the right to cross an open cheque.
V. A holder can obtain a duplicate of a lost bill subject to executing an indemnity.
Which combination is correct?
(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2016

54. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): In the CTS clearing system, the paying bank is responsible for verifying the signature of the drawer.
Reason (R): The collecting banker's duty is limited to verifying the prima facie genuineness of the cheque to be truncated and ensuring no apparent tampering on its face.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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(C) A person who accepts the instrument supra protest for honor
(D) The person directed to pay by the maker of a bill of exchange or cheque

Oct/Nov 2009

20. Identify the essential characteristics of a 'Bill of Exchange' from the statements below:
I. It must contain an unconditional order.
II. The drawer, drawee, and payee must be certain.
III. The sum payable may include future interest or be payable at an indicated rate of exchange.
IV. It must contain an express order to pay money and deliver goods simultaneously.
Which combination is correct?
(A) I, II, and IV
(B) I, II, and III
(C) II, III, and IV
(D) I, III, and IV

May/June 2016

21. Under Section 85 of the Negotiable Instruments Act, 1881, against which specific risk is additional protection available to the paying banker when paying an order cheque?
(A) Insufficient funds in the drawer's account
(B) Material alteration of the cheque amount visible to the naked eye
(C) Fraudulent endorsements of the payee or other endorsees
(D) Drawer's forged signature on the instrument

Oct/Nov 2022

22. Which of the following precisely matches the definition of a negotiable instrument under Section 13(1) of the Negotiable Instruments Act, 1881?
(A) Any financial instrument transferable by delivery in the ordinary course of business
(B) A promissory note, bill of exchange or cheque payable either to order or to bearer
(C) A formal contract between a banker and a customer to pay money upon demand
(D) A written undertaking to pay an uncertain sum of money to a specified person or entity

May/June 2021

23. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): The holder of a negotiable instrument is presumed to be a holder in due course until the contrary is proved.
Reason (R): If the instrument has been obtained from its lawful owner by means of an offence or fraud, the burden of proving that the holder is a holder in due course lies upon him.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2015

24. A customer issues a cheque which is presented for payment. Despite having sufficient unencumbered funds in the account, the drawee bank wrongly dishonours the cheque. The payee suffers a business loss and threatens to sue the bank for compensation. What is the legal liability of the drawee bank in this scenario?
(A) The bank is liable to compensate the payee for any direct business loss resulting from the wrongful dishonour.
(B) The bank is liable to both the drawer and the payee jointly under the principles of vicarious liability.
(C) The bank is not liable for compensation if the dishonour was an administrative error made in good faith.
(D) The bank is only liable to compensate the drawer for any loss or damage caused by such default.

May/June 2011

25. Match the negotiable instrument with its distinctive feature, and identify the incorrect pair:
(A) Promissory Note - Maker's responsibility is primary and unconditional
(B) Promissory Note - Notice of dishonor required by holder to maker
(C) Bill of Exchange - Acceptance may be required before due date of payment
(D) Bill of Exchange - Drawer's liability is secondary and conditional

NODIA

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

Oct/Nov 2009

62. Consider the following presumptions established by Section 118:
I. Every negotiable instrument was made or drawn for consideration.
II. Every negotiable instrument bearing a date was made or drawn on such date.
III. The holder of a negotiable instrument is presumed to be a holder in due course.
IV. A lost promissory note, bill of exchange or cheque is presumed to be not stamped.
Which combination represents the correct presumptions?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2016

63. A payee residing in Delhi delivers a cheque for collection through his account at a bank branch in Delhi. The cheque is drawn on a bank branch located in Mumbai. The cheque is returned unpaid. Under Section 142(2), which court has the local jurisdiction to inquire into and try the offence under Section 138?
(A) A court in Delhi where the branch of the bank maintaining the payee's account is situated.
(B) A court in Mumbai where the drawee bank is situated.
(C) A court in either Delhi or Mumbai at the choice of the drawer.
(D) Any court in India as the banking system is centralized.

Oct/Nov 2022

64. An appellant is convicted under Section 138 and fined Rs. 10 Lakhs. During the trial, he had paid an interim compensation of Rs. 1.5 Lakhs. He files an appeal. The Appellate Court orders him to deposit an amount pending appeal under Section 148. What is the minimum amount the Appellate Court can order him to deposit, and how does it relate to the interim compensation?
(A) Minimum Rs. 2 Lakhs, which is in addition to the interim compensation previously paid under Section 143A.
(B) Minimum Rs. 2 Lakhs, inclusive of the Rs. 1.5 Lakhs already paid.
(C) Maximum Rs. 2 Lakhs, substituting the fine.
(D) Minimum Rs. 1 Lakh, offset by the interim compensation.

May/June 2021

65. Regarding Section 141 (Offences by companies), which statement is incorrect?
(A) The company itself is deemed guilty of the offence along with the persons in charge.
(B) A partner in a firm is included within the definition of "director" in relation to a firm.
(C) A person is liable even if he proves the offence occurred without his knowledge despite his due diligence.
(D) Neglect on the part of a secretary leading to the offence makes the secretary liable to be punished.

Oct/Nov 2015

66. What fundamentally distinguishes a 'Holder in due course' from a mere 'Holder' under the Negotiable Instruments Act?
(A) A Holder in due course need not have physical or constructive possession of the instrument.
(B) A Holder in due course acquires the instrument for value, before maturity, and without notice of title defects.
(C) A Holder in due course can be a person who forged the instrument, provided they cross the cheque.
(D) A Holder in due course cannot initiate legal proceedings in their own name.

May/June 2011

67. Identify the incorrect mapping between the Section of the Negotiable Instruments Act and its provision:
(A) Section 31 - Liability of drawee of cheque
(B) Section 89 - Payment of instrument on which alteration is not apparent
(C) Section 131 - Non-liability of paying banker receiving payment for a customer
(D) Section 139 - Presumption in favour of holder

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invisible to the naked eye. The company sues the bank, claiming negligence for not using forensic tools like an ultraviolet lamp. How should the court decide?

(A) The bank is liable because it failed to deploy advanced forensic tools like an ultraviolet lamp.
(B) The bank is liable because Section 89 does not protect against alteration of the payee's name.
(C) The bank is not liable as payment was in good faith according to tenor and there is no duty to use forensic tools without suspicion.
(D) The bank is partially liable and must share the loss equally with the customer.

Oct/Nov 2019

32. To claim statutory protection under Section 131, a collecting bank must fulfill several conditions. Which of the following is NOT one of those mandatory conditions?

(A) The cheque must be crossed generally or specially to the banker.
(B) The bank must have verified the genuineness of the drawer's signature on the physical cheque.
(C) The bank must receive payment for a customer.
(D) All KYC guidelines must have been complied with while opening the customer's account.

May/June 2018

33. Consider the following grounds often relied upon by courts to rule in favour of a defendant bank in cases of disputed cheque payments:

I. The payment was made in accordance with the apparent tenor of the cheque.
II. The cheque was not crossed and was payable to the plaintiff or order.
III. An authentic seal of the company and manager supported the endorsement.
IV. The person encashing was identified by a constituent of the bank.

Which combination is correct?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

NODIA

Oct/Nov 2006

34. Regarding the penal provisions under Section 138 for dishonour of a cheque, which statement is strictly correct?

(A) The maximum punishment is imprisonment for a term up to one year and a fine equal to the cheque amount.
(B) The penalty may extend to imprisonment for two years, or with fine which may extend to twice the amount of the cheque, or both.
(C) A notice must be sent to the drawer within 15 days of the cheque return.
(D) The drawer has 30 days to make the payment after receiving the notice to avoid prosecution.

May/June 2014

35. Consider the following statements defining a "Holder in due course" under Section 9:

I. A person must become the possessor of the instrument for consideration.
II. The instrument must be acquired after its maturity date has passed to ensure the debt is realized.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2017

36. A payee presents a cheque to the bank, which is returned unpaid due to insufficient funds. The payee receives the return memo on 1st June. The payee sends a written legal demand notice to the drawer on 5th July. The drawer ignores the notice. The payee files a complaint under Section 138. Will the complaint be legally maintainable?

(A) No, as the notice was not issued within thirty days of the payee being notified of the dishonour.
(B) Yes, because the drawer failed to pay the amount.
(C) Yes, because the notice was sent within a reasonable time.
(D) No, because the complaint must be filed directly without sending a notice.

May/June 2012

37. Based on judicial precedents regarding Section 85, if a bank pays a cheque over the counter to

May/June 2023

73. Regarding the broad protective frameworks for bankers under the Negotiable Instruments Act, consider the following statements:

I. Section 85 protects a paying banker against forged endorsements on order cheques paid in due course.

II. Section 89 protects a paying banker against alterations that are not apparent.

III. Section 131 protects a collecting banker handling crossed cheques in good faith and without negligence.

IV. Section 10 defines the parameters of 'payment in due course'.

V. Section 31 binds the drawee banker to pay a cheque if funds are sufficient and applicable.

Which of the combinations captures the correct statutory mapping?

(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2019

74. Consider the following provisions under Section 148 regarding appeals against conviction:

I. The deposit ordered shall be a minimum of 20% of the fine or compensation awarded by the trial Court.

II. The amount deposited can be directed to be released to the complainant during the pendency of the appeal.

III. If the appellant is acquitted, the complainant must repay the released amount with bank rate interest.

IV. The deposit must be made within 90 days from the date of order without any provision for extension.

Which combination is correct?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, and IV only

May/June 2018

75. Based on judicial interpretations of Section 148, what is the Appellate Court's power regarding deposits during an appeal against a conviction?

(A) The Appellate Court is empowered to direct a deposit of a minimum of 20% of the fine, construed generally as a rule.
(B) The Appellate Court cannot demand any deposit if the appellant pleads financial hardship.
(C) The Appellate Court's power to direct deposit is discretionary and should rarely be used.
(D) The Appellate Court can only demand a deposit equal to 100% of the cheque amount.

Oct/Nov 2006

76. Under Section 147 of the Negotiable Instruments Act, 1881, what is the legal nature of every offence punishable under this Act, notwithstanding anything contained in the Code of Criminal Procedure?

(A) Non-bailable and cognizable
(B) Non-compoundable
(C) Triable exclusively by a Sessions Court
(D) Compoundable

May/June 2014

77. In identifying the differences between the types of negotiable instruments, which statement is incorrect?

(A) A promissory note has two parties: the maker and the payee.
(B) A bill of exchange has three parties: drawer, drawee, and payee.
(C) A bill of exchange is always drawn on a specified bank.
(D) A promissory note cannot be made payable to the maker himself.

Oct/Nov 2017

78. Consider the following rules for interim compensation under Section 143A:

I. Interim compensation can be ordered in a summary trial where the drawer pleads not guilty.

II. If interim compensation is not paid within the prescribed time, it can be recovered as if it were a fine under Section 421 of the CrPC.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2012

79. Regarding Section 143A, which of the following actions is NOT legally permissible?

(A) The Court ordering compensation not exceeding 20% of the cheque amount.

NODIA

46. (A) 2, 4, 1, 3
The sequence begins with the issuance of an uncrossed cheque for a purchase. This instrument is then delivered to an official representing the company. Subsequently, an individual uses the company seal to fraudulently endorse and encash the cheque over the counter. Finally, the company initiates a lawsuit against the bank to recover the funds lost due to the unauthorized payment.

47. (D) I, II, III, and IV
A valid prosecution under Section 138 requires several conditions: the cheque must be presented within its validity, a written notice must be sent within thirty days of dishonour, and the drawer must fail to pay within fifteen days. Most importantly, the cheque must have been issued to discharge a legally enforceable debt or liability, forming the basis of the offence.

48. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 89 offers protection only when alterations on a cheque are not apparent. If a material alteration is visible to the naked eye, the bank pays at its own risk unless the drawer has authenticated the change with a signature. Adhering to the apparent tenor and acting without negligence are essential requirements for the bank to be legally discharged.

49. (B) II and III only
A collecting banker must act without negligence to claim protection under Section 131. Negligence occurs if the bank fails to exercise due care, such as blindly confirming a fictitious endorsement. Such a failure deprives the bank of its statutory immunity. Maintaining diligence in verifying endorsements is a fundamental duty for any bank collecting instruments on behalf of its customers.

50. (C) Holder for value
When a bank advances funds to a customer against a cheque drawn on another bank before the collection process is complete, it changes its legal status. In this scenario, the bank is no longer merely acting as an agent for collection. Instead, it assumes the role of a holder for value, gaining independent rights to the proceeds of the instrument.

51. (D) It is presumed the holder received the cheque for the discharge of a legally enforceable debt or liability.
Section 139 creates a legal presumption in favour of the holder of a dishonoured cheque. It states that the court shall presume the holder received the cheque for the discharge, in whole or in part, of a legally enforceable debt or other liability. This shifts the burden of proof to the drawer to show the cheque was not for such purposes.

52. (D) Payment on a materially altered cheque discharges the banker if the alteration is not apparent and payment follows the tenor.
Under Section 89, a drawee banker is discharged from liability if they pay an instrument that has been materially altered, provided the alteration is not apparent. The payment must be made in good faith and according to the apparent tenor of the instrument. This protection balances the banker's duty with the practical reality that some alterations are skillfully hidden.

53. (B) I, II, IV, and V only
A holder is a person entitled in their own name to the possession of an instrument and the recovery of its amount. This excludes finders or those who receive instruments through forgery, as they lack legal title. Lawful holders possess specific rights, such as crossing an open cheque or obtaining a duplicate of a lost bill upon providing an indemnity.

54. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
In the CTS clearing process, duties are divided between the collecting and paying banks. The collecting bank is responsible for verifying the physical instrument's prima facie genuineness and checking for any apparent tampering. However, the paying bank retains the ultimate responsibility for verifying the drawer's signature before debiting the account, ensuring that the payment instruction is authentic and authorized.

55. (A) Section 131
Section 131 provides the primary statutory protection for collecting bankers in India. It shields a banker from liability for conversion if they receive payment of a crossed cheque for a customer in good faith and without negligence.

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ANSWERS

1. (A) I and II only
According to Section 13, an instrument is payable to order if it is expressed to be payable to a particular person without prohibiting transfer. It is payable to bearer if the last indorsement is in blank. However, the law allows a negotiable instrument to be made payable in the alternative to one of two payees.

2. (C) Bill of Exchange
This instrument qualifies as a bill of exchange because it involves three distinct parties: the drawer who creates the order, the drawee directed to pay, and the payee receiving the sum. The requirement for acceptance before payment and the ability to discount it further confirm its characterization as a formal bill of exchange under the law.

3. (B) Repayment within 60 days with interest at the bank rate published by the RBI
Under Section 143A, if a drawer is acquitted, the court must order the complainant to return the interim compensation. This repayment must occur within sixty days from the court order, though a thirty-day extension is possible. The amount must include interest calculated at the prevailing bank rate as officially published by the Reserve Bank of India.

4. (C) Payment made in accordance with the apparent tenor of the instrument in good faith and without negligence
Payment in due course requires the discharge of an instrument in accordance with its apparent tenor. The transaction must be conducted in good faith and without negligence. This necessitates that the person making the payment has no reasonable ground to believe the possessor is not entitled to receive the money, ensuring the legality of the settlement.

5. (B) The Court shall presume the fact of dishonour, unless and until such fact is disproved.
Section 119 stipulates that in any suit regarding a dishonoured bill, if the fact of protest is proved, the court must presume the fact of dishonour. This statutory presumption remains valid unless and until evidence is provided to disprove the dishonour. This procedural rule simplifies the legal process for plaintiffs presenting valid evidence of official protest.

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6. (B) No, as the bank acted with negligence by ignoring its own internal stop payment records during transaction processing.
The banker loses statutory protection because ignoring a stop payment instruction constitutes negligence. A payment made despite internal records flagging the instrument does not qualify as being in due course. The law requires bankers to act in good faith and without negligence to be discharged from liability, which is violated when valid internal alerts are disregarded.

7. (B) First day of March 1882
The Negotiable Instruments Act, 1881, is a significant piece of legislation governing commercial paper in India. Although it was enacted in 1881, the statute officially came into force on the first day of March 1882. It provides the legal framework for promissory notes, bills of exchange, and cheques, defining the rights and liabilities of all parties.

8. (D) I, II, III, IV, and V
Section 6 defines a cheque as a bill of exchange drawn on a specified banker, payable on demand. This modern definition encompasses electronic images of truncated cheques and cheques generated in electronic form. Such electronic instruments must be authenticated through secure systems using digital or electronic signatures, ensuring their validity and enforceability in the contemporary digital banking environment.

9. (B) The payee must maintain an active account with the same drawee bank.
Under Section 31, a drawee banker is legally obligated to honour a customer's cheque if there are sufficient funds properly applicable to the payment. While the instructions must be clear, the law does not require the payee to maintain an account with the same bank. The duty arises

(B) The Court applying Section 143A retrospectively to cases filed before the enactment of the amendment.
(C) The amount of fine imposed under Section 138 being reduced by the amount paid as interim compensation.
(D) The interim compensation being recovered as a fine under Section 421 of the CrPC.

Oct/Nov 2013

80. Which section provides that a banker receives payment of a crossed cheque for a customer within the meaning of Section 131, notwithstanding that he credits his customer's account with the amount of the cheque before receiving payment thereof?
(A) Section 131 Explanation I
(B) Section 131 Explanation II
(C) Section 131A
(D) Section 85

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for determining the legal rights of subsequent holders and the validity of the negotiation.

19. (D) The person directed to pay by the maker of a bill of exchange or cheque
Section 7 defines the drawee as the specific person directed by the maker of a bill of exchange or cheque to make the payment. This entity is typically a bank in the case of a cheque. The drawee's liability arises only after they accept the instrument, except in the case of cheques where the banker's duty is pre-defined.

20. (B) I, II, and III
A bill of exchange must contain an unconditional order to pay a certain sum of money. The parties involved, namely the drawer, drawee, and payee, must be identified with certainty. The amount payable can include future interest or be subject to specific exchange rates. However, it cannot include an order to deliver goods alongside the monetary payment.

21. (C) Fraudulent endorsements of the payee or other endorsees
Section 85(1) provides specific protection to the paying banker when dealing with order cheques. If the banker pays the instrument in due course, they are discharged even if an endorsement by the payee or a subsequent endorsee turns out to be forged or fraudulent. This protection is vital for banks, as they cannot always verify every signature.

22. (B) A promissory note, bill of exchange or cheque payable either to order or to bearer
Section 13(1) defines a negotiable instrument as a promissory note, bill of exchange, or cheque. To qualify, the instrument must be payable either to order or to bearer. This definition establishes the primary categories of commercial paper that are governed by the Act, facilitating the transfer of debt and credit through standardized, legally recognized written documents.

23. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
The law presumes every holder is a holder in due course to facilitate commercial transactions. However, if the instrument was obtained through fraud or an offence, the burden of proof shifts, requiring the holder to prove they acquired it for consideration and without knowledge of the defect. While both statements are true, the latter describes a shift in burden.

24. (D) The bank is only liable to compensate the drawer for any loss or damage caused by such default.
Under Section 31, if a drawee banker wrongfully dishonours a cheque despite having sufficient and applicable funds, the bank's liability is limited to the drawer. The bank must compensate the drawer for any loss or damage caused by this default. Generally, the payee does not have a direct cause of action against the bank for such a wrongful dishonour.

25. (B) Promissory Note - Notice of dishonor required by holder to maker
A promissory note involves an unconditional promise by the maker, who holds primary liability. Unlike other instruments where the drawer's liability is secondary, the maker of a promissory note is the principal debtor. Significantly, the holder is not required to provide a notice of dishonour to the maker to establish the maker's liability for non-payment of the instrument.

26. (A) Only I
Section 143A mandates that interim compensation must be paid within sixty days of the court's order, with a possible thirty-day extension for sufficient cause. Judicial interpretations have clarified that these provisions regarding interim compensation do not have retrospective effect. They apply only to cases filed after the amendment came into force, preserving the substantive rights of the parties involved.

27. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A bank is not protected if it pays a post-dated cheque before the date specified on the instrument. Such a payment is considered negligent because it fails to adhere to the apparent tenor of the cheque. Following the apparent tenor is a prerequisite for "payment in due course," and premature payment exposes the bank to liability for any loss.

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solely from the banker-customer relationship and the availability of unencumbered funds.

10. (C) They require mandatory registration with a statutory authority prior to issuance.
Negotiable instruments are characterized by their written form and their status as transferable contracts between parties. They possess a tenor that determines when they become payable, either on demand or at a specific time. However, unlike certain other legal documents, these instruments do not require mandatory registration with a statutory authority prior to their issuance or subsequent transfer.

11. (D) The drawee is discharged notwithstanding any indorsement appearing thereon or any indorsement purporting to restrict further negotiation.
Section 85(2) provides crucial protection to drawee bankers regarding bearer cheques. Once a cheque is originally issued as payable to bearer, the banker is discharged from liability by making payment in due course to the bearer. This protection applies regardless of any subsequent indorsements, even those purporting to restrict negotiation or appearing as an indorsement in full.

12. (B) The deposit under Section 148 is to be made in lieu of any interim compensation already paid under Section 143A.
Section 148 allows the Appellate Court to order a deposit of at least twenty percent of the fine or compensation. This deposit is a separate requirement and is paid in addition to any interim compensation already settled under Section 143A. The timeline for this deposit is sixty days, which may be extended by an additional thirty days.

13. (A) A cheque may be drawn payable to bearer, whereas a Bill of Exchange cannot be drawn payable to bearer.
A fundamental distinction is that cheques may be drawn as bearer instruments, whereas bills of exchange generally cannot be payable to bearer on demand due to statutory restrictions. While both are negotiable, cheques are always drawn on a banker and are payable on demand without a grace period, and their payment can be countermanded by the drawer's instructions.

14. (C) A signed written instrument with an unconditional undertaking to pay a sum of money to a specific person or bearer.
A promissory note, as defined in Section 4, is a written instrument containing an unconditional undertaking by the maker to pay a specific sum of money. This payment must be made either to a certain person or to the bearer of the instrument. It excludes currency notes and bank notes, which are governed by separate monetary laws and regulations.

15. (A) I and II only
Statutory protection for paying bankers depends on acting in good faith and without negligence. Failure to examine the regularity of all endorsements on an instrument constitutes negligence, which deprives the bank of legal immunity. While negligence makes the bank liable for the loss, it does not automatically transfer the full liability for the debt to the drawer.

16. (B) Not exceeding 20% of the cheque amount
Section 143A empowers the court to direct the drawer of a dishonoured cheque to pay interim compensation to the complainant. This order can be made when the drawer pleads not guilty during a summary trial or upon framing of charges. The statutory limit for this interim compensation is fixed at a maximum of twenty percent of the cheque amount.

17. (C) Both I and II
Holders can claim directly against a drawee bank under specific circumstances, such as during the bank's winding up, where they are treated as creditors. Additionally, if a bank ignores crossing instructions and pays a cheque improperly, leading to fraud, it becomes liable to the true owner. Both scenarios represent exceptions to the general rule of banker-customer privity.

18. (A) Payable to order - Transferable by endorsement and delivery
Transferability of negotiable instruments depends on their classification. An instrument payable to order requires both the endorsement of the holder and physical delivery to effect a valid transfer. Conversely, instruments payable to bearer are transferable by simple delivery alone. Understanding these rules is essential

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37. (A) No, as paying under suspicious circumstances violates the condition of acting in good faith without negligence.
Under Section 85, a paying banker must act in good faith and without negligence to receive statutory protection. Paying a stranger under highly suspicious circumstances, without proper inquiry, constitutes negligence. Such an act violates the standard of care expected from a prudent banker, thereby depriving the bank of immunity even if the cheque appears to be in order.

38. (D) The bank is the holder for value and is entitled to relief against the drawer despite the stop payment notice.
A person who takes an instrument for value and in good faith before maturity becomes a holder in due course. This status grants them the right to recover the amount from the drawer, even if the drawer had issued a stop-payment instruction. The stop-payment notice between the drawer and the payee does not invalidate the rights of a subsequent HDC.

39. (D) The collecting bank is not liable as it followed KYC norms and the paying bank was responsible for signatures.
In the CTS clearing environment, the collecting bank's responsibility is to verify the physical instrument's prima facie genuineness and checking for any apparent tampering. The responsibility for verifying the drawer's signature remains with the paying bank. If the collecting bank followed KYC norms and the forgery was not apparent on the face, it is not liable.

40. (D) The bank cannot claim protection if there is evidence of fraud, signature discrepancies, and failure of due diligence.
A bank's liability is established if it pays cheques with signature discrepancies and fails to exercise due diligence. Protection under Sections 85 or 131 is unavailable if there is evidence of fraud or if the bank acted negligently. In cases where the bank ignores obvious differences in signatures, it must bear the resulting financial loss.

41. (A) P-3, Q-4, R-2, S-1
Section 141 deals with offences committed by companies. It holds every person in charge of the company's business at the time of the offence liable, unless they prove lack of knowledge or due diligence. It also extends liability to directors or managers if they consented to the offence. The term "company" includes firms and other associations of individuals.

42. (C) Conversion of a blank endorsement into an endorsement in full
Material alterations, such as changes to the date, payee name, or amount, generally require the drawer's consent and signature to remain valid. However, some changes are legally permitted without being considered material alterations. Converting a blank endorsement into an endorsement in full is a specific example of an allowed modification that does not affect the instrument's validity or require drawer authentication.

43. (B) The protection is strictly limited to when the bank collects as an agent and never as a holder for value.
Statutory protection for collecting bankers under Section 131 requires that the cheque be crossed and collected for a customer in good faith. Contrary to some misconceptions, this protection is not lost if the bank becomes a holder for value by crediting the customer's account before the cheque is actually cleared. The bank retains its protection provided other conditions are satisfied.

44. (A) P-4, Q-3, R-2, S-1
To qualify as a holder in due course, four essential conditions must be met. The instrument must be acquired for consideration and before it reaches maturity. The holder must act in good faith, with no reason to suspect any title defects. Finally, the instrument must be regular and complete on its face, rather than being an inchoate or unfinished document.

45. (B) Three months
According to current banking regulations and Reserve Bank of India notifications, the validity period for cheques, drafts, pay orders, and banker's cheques is limited to three months. This timeframe is strictly enforced within the banking system. Instruments presented after this three-month period are considered stale and will typically be returned unpaid by the drawee bank unless they are revalidated.

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deposit is mandatory and must be paid in addition to any interim compensation already provided under Section 143A. This requirement ensures that a portion of the awarded amount is secured while the appeal is being heard by the court.

65. (C) A person is liable even if he proves the offence occurred without his knowledge despite his due diligence.
Section 141 holds companies and their responsible officials liable for cheque dishonour. A person in charge is generally deemed guilty unless they can prove the offence occurred without their knowledge or that they exercised due diligence to prevent it. Therefore, a statement claiming a person remains liable even after proving lack of knowledge and due diligence is legally incorrect.

66. (B) A Holder in due course acquires the instrument for value, before maturity, and without notice of title defects.
A holder in due course is distinguished by the specific conditions under which they acquired the instrument. Unlike a mere holder, a holder in due course must have provided consideration, obtained the instrument before its maturity, and acted in good faith without any notice of defects in the transferor's title. These additional requirements provide the HDC with superior legal protections and rights.

67. (C) Section 131 - Non-liability of paying banker receiving payment for a customer
The Negotiable Instruments Act maps specific protections and liabilities to its sections. Section 31 covers the drawee's liability, Section 89 addresses invisible alterations, and Section 139 establishes presumptions for holders. However, Section 131 specifically protects the collecting banker, not the paying banker. Misidentifying the role of the banker under Section 131 is a common error in statutory interpretation and mapping.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Supreme Court has clarified that under Section 148, the direction to deposit a minimum of twenty percent of the fine is the general rule during an appeal. The Appellate Court must assign special reasons if it decides not to order such a deposit. This interpretation reinforces the legislative intent to provide some immediate relief to the complainant during the appeal.

69. (A) I and II only
Negotiable instruments are categorized by their method of transfer. Order instruments require endorsement and delivery, while bearer instruments are transferred by delivery alone. A fundamental requirement for any such instrument to be valid is the signature of the issuer. Without the maker's or drawer's signature, the document cannot function as a legally binding promissory note, bill, or cheque.

70. (D) I, II, and III
If a drawer is acquitted after paying interim compensation under Section 143A, the complainant is legally bound to return the money. This repayment must be made within sixty days, extendable by thirty days, and must include interest at the official RBI bank rate. These provisions ensure that an acquitted individual is restored to their original financial position with interest.

71. (A) I, II, III, and IV only
Section 142 mandates that only a Metropolitan Magistrate or a First Class Judicial Magistrate can try these offences. Complaints must be in writing, filed within one month of the cause of action, though delays can be condoned for sufficient cause. Jurisdiction is generally based on where the payee's bank is located, rather than where the drawee bank is situated.

72. (A) I, II, III, and V only
Section 131A extends the protections of Section 131 to drafts. For truncated cheques, the collecting banker must verify prima facie genuinenagement and check for apparent tampering. Importantly, bankers are considered to collect for a customer even if they credit the account before receiving payment. However, failing to comply with KYC guidelines during account opening can disqualify the bank from statutory protection.

73. (D) I, II, III, IV, and V
The Act provides a comprehensive protective framework for banking operations. Section 85 shields paying bankers from forged endorsements, while Section 89 covers invisible alterations. Section 131 protects collecting bankers who act

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This protection is essential for the smooth functioning of the clearing system, allowing banks to act as agents for their customers.

56. (A) An alteration which substantially alters the instrument and the liabilities of the parties to it, irrespective of potential benefit.
A material alteration is any change made to a negotiable instrument that substantially modifies the liabilities of the parties or the legal character of the document. Such changes are significant regardless of whether they benefit or prejudice any party. Common examples include altering the date, amount, or payee, all of which generally render the instrument void without consent.

57. (A) 4, 1, 3, 2
Initiating a Section 138 complaint involves a strict sequence. First, the cheque must be presented during its validity. Upon dishonour, the payee receives information from the bank. The payee then must send a written notice to the drawer within thirty days. If the drawer fails to pay within fifteen days of receiving this notice, the cause of action arises.

58. (A) Any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon.
Section 8 defines the holder as any person entitled in their own name to the possession of a negotiable instrument and to receive or recover the amount due on it. This definition requires legal entitlement rather than mere physical possession. Consequently, individuals who possess an instrument through unlawful means, like theft or forgery, do not qualify as holders.

59. (C) Collecting banker - Verify the prima facie genuineness and ensure no apparent fraud or tampering on the face
The transition to truncated cheques involves specific duties for the collecting banker. They must verify the prima facie genuineness of the cheque and ensure that no fraud or tampering is apparent on the face of the instrument. This due diligence is a prerequisite for maintaining statutory protection while participating in the electronic clearing and image-based transmission of cheque data.

60. (B) The plaintiff is not a holder in due course as an inchoate stamped instrument does not grant such status.
Delivering a signed blank stamp paper creates an inchoate stamped instrument under Section 20. While this gives the recipient authority to complete the document, they do not automatically become a holder in due course. The status of a holder in due course requires specific conditions like acquisition for value before maturity, which are not inherently satisfied by possessing an incomplete document.

61. (A) P-3, Q-4, R-1, S-2
The Negotiable Instruments Act contains several procedural and substantive sections. Section 138 defines the offence of cheque dishonour, while Section 142 governs how courts take cognizance of these offences. Section 144 outlines the mode of serving summons to defendants, and Section 147 specifies that all offences under the Act are compoundable, allowing for settlements between the parties.

62. (A) I, II, and III only
Section 118 lists several important presumptions: instruments are drawn for consideration, dated instruments were made on that date, and holders are presumed to be holders in due course. However, for lost instruments, the law presumes they were properly stamped, rather than unstamped. These presumptions remain in effect during legal proceedings until the contrary is proved by the opposing party.

63. (A) A court in Delhi where the branch of the bank maintaining the payee's account is situated.
Under Section 142(2), jurisdiction for trying a cheque dishonour case is determined by where the cheque was delivered for collection. If the cheque is deposited into an account, the court within whose local jurisdiction the branch of the bank maintaining that account is situated has the authority. This rule simplifies the process for payees by allowing them to file locally.

64. (A) Minimum Rs. 2 Lakhs, which is in addition to the interim compensation previously paid under Section 143A.
Section 148 mandates that an appellant must deposit at least twenty percent of the fine or compensation awarded by the trial court. This

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28. (A) P-4, Q-3, R-1, S-2
Section 118 establishes several legal presumptions. These include the presumption that every transfer occurred before maturity and that bills were accepted within a reasonable time. Furthermore, indorsements are presumed to have been made in the order they appear on the instrument. Finally, every negotiable instrument is presumed to have been drawn or made for valid and sufficient consideration.

29. (A) P-2, Q-4, R-3, S-1
Section 7 provides definitions for various parties involved in negotiable instruments. The drawer is the maker of a bill or cheque, while the payee is the person intended to receive payment. The acceptor is a drawee who has formally signed and delivered their assent. A drawee in case of need is an additional person named to be resorted to.

30. (D) "I acknowledge myself to be indebted to B in Rs. 1,000, to be paid on demand, for value received."
For a document to be a valid promissory note, it must contain an unconditional undertaking to pay a certain sum. Simple acknowledgments of debt without a promise to pay or promises containing conditions, such as marriage or deducting uncertain debts, are invalid. An acknowledgment coupled with a clear, unconditional promise to pay on demand fulfills the statutory requirements.

31. (C) The bank is not liable as payment was in good faith according to tenor and there is no duty to use forensic tools without suspicion.
Section 89 protects a banker who pays a materially altered cheque in good faith and according to the apparent tenor, provided the alteration is not visible. Bankers are not legally required to use forensic equipment like ultraviolet lamps unless there is visible suspicion. Therefore, if an alteration is skillfully done and invisible, the bank is discharged from its liability.

32. (B) The bank must have verified the genuineness of the drawer's signature on the physical cheque.
To claim protection under Section 131, a collecting banker must collect a crossed cheque for a customer in good faith and without negligence. This includes following KYC guidelines during account opening. However, the collecting banker is not required to verify the genuineness of the drawer's signature, as that responsibility lies with the paying banker who maintains the drawer's account.

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33. (D) I, II, III, and IV
Courts protect banks when payments align with the apparent tenor and are made in good faith. Factors include whether the cheque was uncrossed, the presence of authentic company seals, and the proper identification of the person encashing the instrument. When a bank demonstrates it followed standard procedures and verified available credentials, it is generally shielded from liability for fraudulent transactions.

34. (B) The penalty may extend to imprisonment for two years, or with fine which may extend to twice the amount of the cheque, or both.
Section 138 provides that the dishonour of a cheque due to insufficient funds is a criminal offence. The legal penalty for this offence may include imprisonment for a term extending up to two years. Additionally, the court may impose a fine that can reach twice the amount of the cheque, or it may decide to award both.

35. (A) Only I
A holder in due course is defined under Section 9 as a person who acquires a negotiable instrument for consideration. Crucially, the acquisition must occur before the instrument reaches its maturity date. The holder must also act in good faith, having no reason to believe that any defect existed in the title of the person from whom it was received.

36. (A) No, as the notice was not issued within thirty days of the payee being notified of the dishonour.
For a complaint under Section 138 to be maintainable, the payee must issue a written demand notice within thirty days of receiving the return memo from the bank. If the notice is sent after this thirty-day window, the statutory requirement is not met, and the legal action will fail. Timely notification is a mandatory condition for initiating criminal prosecution.

in good faith. Additionally, Section 10 defines the standards for payment in due course, and Section 31 outlines the banker's fundamental duty to honour cheques when funds are available.

74. (A) I, II, and III only
Section 148 governs deposits during the appeal process. It requires a minimum deposit of twenty percent of the fine, which may be released to the complainant. If the appellant is later acquitted, the complainant must repay the amount with interest. The law provides a sixty-day window for this deposit, with a possible thirty-day extension, rather than a fixed ninety-day period.

75. (A) The Appellate Court is empowered to direct a deposit of a minimum of 20% of the fine, construed generally as a rule.
Judicial interpretation of Section 148 establishes that the Appellate Court's power to order a minimum twenty percent deposit is a standard procedural rule. It is not a rare discretionary power but a regular requirement aimed at balancing the interests of both parties. Financial hardship alone does not exempt an appellant from this requirement, as the provision is meant to be compensatory.

76. (D) Compoundable
Section 147 of the Act overrides the general provisions of the Code of Criminal Procedure by making every offence under the Act compoundable. This means that parties can legally settle the matter outside of court or through the court's intervention at any stage. This provision encourages the resolution of financial disputes without the need for prolonged criminal litigation and punishment.

77. (C) A bill of exchange is always drawn on a specified bank.
Promissory notes and bills of exchange have distinct characteristics. A promissory note involves two parties: the maker and the payee. A bill of exchange involves three: the drawer, drawee, and payee. While a cheque is a type of bill of exchange always drawn on a specified bank, a general bill of exchange can be drawn on any person or entity.

78. (C) Both I and II
Section 143A allows the court to order interim compensation in summary trials or upon framing charges if the drawer pleads not guilty. This provision provides immediate partial relief to the complainant. If the drawer fails to pay this compensation within the allotted time, the amount can be recovered using the same legal mechanisms used for recovering fines under the CrPC.

79. (B) The Court applying Section 143A retrospectively to cases filed before the enactment of the amendment.
Section 143A, which introduces interim compensation, has been interpreted as a substantive provision. Consequently, it is generally applied prospectively, meaning it does not apply to cases that were already pending before the amendment was enacted. Other aspects, like the recovery of compensation as a fine or its reduction from the final fine amount, are standard legal procedures.

80. (A) Section 131 Explanation I
Explanation I to Section 131 clarifies a specific aspect of the collecting banker's protection. It states that a banker is deemed to receive payment for a customer even if they credit the customer's account with the cheque's value before actually receiving the funds from the drawee bank. This ensures that providing early credit to customers does not jeopardize the bank's statutory immunity.

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CHAPTER 10

Foreign Exchange Management Act, 1999

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Oct/Nov 2014

1. What is the maximum penalty for a contravention under Section 13 of the Foreign Exchange Management Act, 1999, where the amount involved is not quantifiable?
(A) Up to one lakh rupees
(B) Up to two lakh rupees
(C) Up to five lakh rupees
(D) Up to ten lakh rupees

May/June 2021

2. Identify the incorrect statement regarding the penalties and confiscations under Section 13 of the Foreign Exchange Management Act, 1999.
(A) Confiscation can include Indian currency where the property is converted into that currency
(B) The penalty for a continuing contravention extends up to five thousand rupees per day
(C) The adjudicating authority cannot direct foreign exchange holdings to be repatriated into India
(D) Confiscation of property can include deposits maintained in a bank by the contravenor

Oct/Nov 2010

3. Which of the following defines 'Foreign currency' under the Foreign Exchange Management Act, 1999?
(A) Any currency used exclusively for international trade settlements
(B) Any currency recognized by the International Monetary Fund
(C) Any currency other than Indian currency
(D) Any currency circulating outside the geographical borders of India

May/June 2005

4. Which of the following is NOT a characteristic or function associated with the Competent Authority under Section 37A of the Foreign Exchange Management Act, 1999?
(A) Overseeing the seizure of equivalent domestic assets
(B) Appointed specifically by the Central Government
(C) Serving as an officer not below the rank of Assistant Director
(D) Disposing of petitions within 180 days

Oct/Nov 2022

5. What is the legal implication if a person resident in India receives a payment from a non-resident without a corresponding inward remittance from abroad?
(A) The payment is treated as a standard domestic current account transaction for accounting purposes
(B) The person is deemed to have received payment through someone other than an authorized person
(C) The transaction is automatically compounded without any penal consequences from the authorities
(D) The amount is subject to immediate confiscation by the Competent Authority under statutory law

May/June 2018

6. What is the most appropriate action an aggrieved person can take to have a seizure of equivalent domestic assets set aside under Section 37A of the Foreign Exchange Management Act, 1999?
(A) Transfer the overseas assets to a trust managed by a foreign resident entity
(B) Disclose the foreign assets and bring the foreign exchange back to India
(C) Compound the contravention directly under Section 15 of the governing Act
(D) Liquidate the equivalent domestic assets before the final adjudication concludes

Oct/Nov 2016

7. What is the definition of 'Authorized person' under the Foreign Exchange Management Act, 1999?
(A) An individual or entity specifically permitted by the Central Government to conduct cross-border trade transactions

(B) An authorized money changer, dealer, off-shore banking unit, or person authorized to deal in foreign exchange
(C) A designated senior officer within the Directorate of Enforcement empowered to monitor and regulate foreign remittances
(D) Any domestic commercial bank holding a valid license issued by the Ministry of Finance for global banking operations

May/June 2014

8. Identify the correct statement regarding the process of appealing orders under the Foreign Exchange Management Act, 1999.
(A) An appeal lies directly to the Supreme Court, thereby bypassing the established High Court
(B) The High Court entertains appeals only where specific questions of law are involved
(C) The Special Director (Appeals) handles the final and conclusive stage of the appellate process
(D) The Appellate Tribunal restricts its jurisdiction solely to disputes involving customs duties

Oct/Nov 2007

9. Under the Foreign Exchange Management Act, 1999, the term 'person resident in India' includes all of the following, EXCEPT:
(A) A body corporate that is registered or incorporated within the territory of India
(B) A person in India for 200 days who goes abroad for taking up employment
(C) An office in India that is owned by a person who is resident outside India
(D) An agency outside India that is controlled by a person who is resident in India

May/June 2025

10. What was the primary objective behind enacting the Foreign Exchange Management Act, 1999, as opposed to the repealed FERA, 1973?
(A) To strictly conserve and control the limited foreign exchange resources available within the country
(B) To criminalize and prosecute all forms of unauthorized foreign exchange transactions and holdings
(C) To facilitate external trade and promote the orderly development of the foreign exchange market
(D) To prohibit all types of foreign direct investment in the domestic real estate and construction sector

Oct/Nov 2019

11. What is the most appropriate interpretation of a 'foreign security' under the Foreign Exchange Management Act, 1999?
(A) Any domestic security that is exported out of the country for trading purposes
(B) Any sovereign bond issued explicitly by the Central Government of the Republic
(C) Any security traded on an Indian stock exchange by a person resident outside India
(D) Any security in foreign currency, even if redemption is payable in Indian currency

May/June 2009

12. In which year was the Foreign Exchange Management Act enacted to consolidate and amend the law relating to foreign exchange?
(A) 1973
(B) 1991
(C) 1999
(D) 2015

Oct/Nov 2011

13. Identify the incorrect statement concerning the definition of 'security' under the Foreign Exchange Management Act, 1999.
(A) It includes all forms of bills of exchange and promissory notes
(B) It includes shares, stocks, bonds, and debentures
(C) It includes government securities and savings certificates
(D) It includes deposit receipts and units of any mutual fund

May/June 2010

14. Identify the correct statement regarding the scope and applicability of the Foreign Exchange Management Act, 1999.
(A) It applies solely to the geographical territory of India and not beyond
(B) It does not apply to any contraventions committed outside India
(C) It applies to branches outside India owned by a person resident in India
(D) It applies exclusively to foreign citizens residing within India

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Oct/Nov 2024

15. When an Adjudicating Authority confiscates "property" under Section 13(2) of the Foreign Exchange Management Act, 1999, what does the term "property" most appropriately include?
(A) Only physical real estate assets that are located within the territory of India
(B) Only physical foreign currency notes seized during an official investigation
(C) Entire corporate holdings of the entity involved in the specific contravention
(D) Deposits in a bank, Indian currency, and property resulting from conversion

May/June 2017

16. How is a 'Capital account transaction' defined under the Foreign Exchange Management Act, 1999?
(A) A transaction altering the assets or liabilities of residents outside India or non-residents within India
(B) A transaction primarily concerned with the large-scale import and export of heavy industrial capital machinery
(C) A transaction involving the regular remittance of funds to cover the monthly living expenses of family abroad
(D) A transaction specifically restricted to the repayment of interest on external commercial borrowings and loans

Oct/Nov 2005

17. Under the Foreign Exchange Management Act, 1999, a person residing in India for more than 182 days in the preceding financial year is NOT considered a resident if they stay outside India for which of the following purposes?
(A) For taking up employment outside India
(B) For a two-week vacation with family
(C) For undergoing medical treatment
(D) For attending an academic conference

May/June 2020

18. What is the minimum rank of the officer authorized to file a Criminal Complaint for prosecution under Section 13(1B) of the Foreign Exchange Management Act, 1999?
(A) Assistant Director
(B) Under Secretary
(C) Joint Secretary
(D) Special Director

Oct/Nov 2015

19. Identify the incorrect statement concerning the special provisions relating to assets held outside India under Section 37A of the Foreign Exchange Management Act, 1999.
(A) An Authorized Officer may seize equivalent value property situated within India
(B) The period of stay granted by a court is excluded from the 180-day disposal period
(C) Section 15 regarding the compounding of contraventions does not apply in this case
(D) The Competent Authority must be an officer not below the rank of Under Secretary

NODIA

May/June 2013

20. Identify the correct statement concerning the powers of the Reserve Bank of India with respect to authorized persons under the Foreign Exchange Management Act, 1999.
(A) The RBI can inspect authorized persons to ensure compliance with formulated rules
(B) The RBI maintains the power to inspect authorized persons but is restricted from appointing them
(C) The RBI appoints authorized persons to deal exclusively in domestic securities and treasury bills
(D) The RBI requires explicit Central Government approval before initiating an inspection of authorized persons

Oct/Nov 2021

21. Which of the following best describes the jurisdictional hierarchy for appeals involving questions of law under the Foreign Exchange Management Act, 1999?
(A) Special Director (Appeals) → Adjudicating Authority → Appellate Tribunal
(B) Competent Authority → Directorate of Enforcement → Supreme Court
(C) Appellate Tribunal → High Court → Supreme Court
(D) Reserve Bank of India → Special Director (Appeals) → High Court

May/June 2024

22. Which entity establishes the Directorate of Enforcement with a director and other officers of enforcement?
(A) The Reserve Bank of India
(B) The Central Government
(C) The Appellate Tribunal

(D) The State Government

Oct/Nov 2008

23. How does the regulatory framework of the Foreign Exchange Management Act, 1999 treat the holding of foreign currency, foreign security, or immovable property situated outside India by a person resident outside India?
(A) It strictly prohibits such holdings under all circumstances
(B) It requires prior approval from the Reserve Bank of India
(C) It limits such holdings to a threshold prescribed by the Central Government
(D) It imposes no bar on such holdings, ownership, or transfers

May/June 2006

24. Under the Foreign Exchange Management Act, 1999, the term 'Currency' includes all of the following instruments, EXCEPT:
(A) Postal orders and money orders
(B) Travelers' cheques and drafts
(C) Promissory notes and credit cards
(D) Unit certificates of a domestic mutual fund

Oct/Nov 2017

25. Identify the incorrect statement regarding the definition of 'person' under the Foreign Exchange Management Act, 1999.
(A) A Hindu Undivided Family is recognized as a person under the provisions of the Act
(B) An association of persons is considered a person only if it is legally incorporated
(C) Every artificial juridical person falls under the general definition of a person
(D) Any agency, office, or branch owned by a person is included in the definition

May/June 2008

26. How does the Foreign Exchange Management Act, 1999 define the term 'Repatriate to India'?
(A) The physical transfer of machinery and industrial goods into the Indian customs territory for manufacturing purposes
(B) The process of liquidating all domestic real estate assets to fund diverse overseas investment portfolios
(C) The mandatory acquisition of foreign infrastructure assets by the Central Government for the benefit of the public
(D) Bringing realized foreign exchange into India and selling it to an authorized person or holding it in a notified account

Oct/Nov 2013

27. What is the most appropriate reason for an exporter being required to furnish a declaration to the Reserve Bank of India?
(A) To ensure export proceeds are repatriated to India and not held abroad
(B) To calculate the precise customs duty applicable to the exported goods
(C) To restrict the volume of goods leaving the domestic market territory
(D) To transfer the ownership of the exported goods to the Reserve Bank of India

May/June 2015

28. Why are bills of exchange drawn by banks outside India but payable in Indian currency considered 'foreign exchange' under the Foreign Exchange Management Act, 1999?
(A) They represent financial obligations originating externally that are settled using domestic currency
(B) They are instruments issued by foreign governments specifically to serve as sovereign debt obligations
(C) They are tools utilized for high-frequency speculative currency trading within various offshore markets
(D) They automatically modify the capital account balance for any person residing within the territory of India

Oct/Nov 2012

29. All of the following are included in the definition of a 'Current account transaction' under the Foreign Exchange Management Act, 1999, EXCEPT:
(A) Payments in connection with foreign trade in the ordinary course of business
(B) Remittances for living expenses of a spouse residing abroad
(C) Remittances for purchasing immovable property situated outside India
(D) Expenses in connection with the foreign travel and education of children

May/June 2011

30. Identify the correct statement regarding 'Current account transactions' under the Foreign Exchange Management Act, 1999.

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Criminal Complaint for prosecution

Oct/Nov 2014

41. Consider the following statements regarding definitions and instruments under the Foreign Exchange Management Act, 1999:

I. 'Currency' explicitly includes credit cards.
II. 'Security' includes savings certificates and units of mutual funds.
III. 'Security' encompasses all bills of exchange without exception.
IV. 'Foreign security' includes securities expressed in foreign currency but yielding returns in Indian currency.
V. A 'Capital account transaction' alters assets in India of persons resident outside India.

Which of the above statements are correct?

(A) I, II, IV, and V
(B) I, II, III, and IV
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2019

42. Match the penalty or consequence in List I with the corresponding contravention context in List II according to the Foreign Exchange Management Act, 1999.

List I: (Penalty/Consequence)

P. Up to Rs. 2 lakh
Q. Up to Rs. 5,000 per day
R. Up to three times the sum involved
S. Imprisonment up to 5 years and fine

List II: (Contravention Context)

1. Continuing contravention after the first day
2. Acquisition of foreign exchange abroad exceeding the prescribed threshold
3. Unquantifiable contravention amount
4. Quantifiable contravention amount

Which of the following options correctly matches the lists?

(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-4, R-1, S-3

Oct/Nov 2006

43. Consider the following statements regarding penalties under Section 13 of the Foreign Exchange Management Act, 1999:

I. The penalty can be up to thrice the sum involved where the amount is quantifiable.
II. In case of continuing contravention, a further penalty may extend to ten thousand rupees for every day.
III. Confiscation of property can include deposits in a bank where the property is converted into such deposits.

Which of the above statements are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2021

44. Consider the following statements regarding the Directorate of Enforcement:

I. The Central Government establishes the Directorate of Enforcement with a director and other officers.
II. Any police officer of a State Government is automatically empowered to discharge the duties of the director of enforcement without explicit authorization.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2010

45. Consider the following statements concerning Section 13 (Contravention and Penalties) of the Foreign Exchange Management Act, 1999:

I. A penalty up to Rs. 2 lakh applies where the contravention amount is not quantifiable.
II. If the acquired foreign exchange value exceeds the threshold, the penalty can be up to three times the sum involved.
III. The value equivalent of the foreign exchange situated in India cannot be confiscated under any circumstances.
IV. Prosecution can be directed by filing a Criminal Complaint by an officer not below Assistant Director.
V. Imprisonment up to five years and a fine can be imposed in cases exceeding the prescribed threshold.

Which of the above statements are correct?

(A) I, II, IV, and V
(B) I, II, III, and IV
(C) II, III, IV, and V
(D) I, III, IV, and V

NODIA

I. The provisions of the FEMA extend to the whole of India and apply to all branches outside India owned or controlled by a person resident in India.
II. The FEMA applies to any contravention committed outside India by a person to whom the Act applies.

Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2023

36. Consider the following statements regarding foreign exchange dealing under the Foreign Exchange Management Act, 1999:
I. A person resident outside India can freely hold or transfer foreign currency situated outside India.
II. Exporters of goods must furnish a declaration to the RBI.
III. Export proceeds can be held permanently in foreign countries without repatriation.
IV. Receiving payment by order of a non-resident without a corresponding inward remittance violates the standard receipt method.
V. Authorized persons must deal in foreign exchange as per directions issued by the RBI.

Which of the above statements are correct?
(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, II, IV, and V
(D) I, III, IV, and V

Oct/Nov 2018

37. Identify the correct chronological sequence of the appellate process for a person aggrieved by an order under the Foreign Exchange Management Act, 1999.
I. Appeal to the Supreme Court
II. Appeal to the Appellate Tribunal
III. Appeal to the High Court
IV. Appeal to the Special Director (Appeals)

Which of the following represents the correct sequence?
(A) IV, II, III, I
(B) II, IV, I, III
(C) IV, III, II, I
(D) II, III, I, IV

May/June 2007

38. Consider the following statements regarding 'Foreign exchange' as defined in the Foreign Exchange Management Act, 1999:
I. It includes amounts payable in any foreign currency.
II. It includes drafts expressed in Indian currency but payable in any foreign currency.
III. It includes letters of credit drawn by banks outside India but payable in Indian currency.

Which of the above statements are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2025

39. Consider the following statements concerning powers of investigation and authorization under the Foreign Exchange Management Act, 1999:
I. Officers of enforcement not below the rank of an assistant director can investigate contraventions.
II. The Central Government can authorize any class of RBI officers not below the rank of an Under Secretary to investigate contraventions.
III. The Central Government cannot authorize a customs officer to discharge the duties of the director of enforcement.
IV. A police officer may be authorized by the Central Government to exercise the powers of the director of enforcement.

Which of the above statements are correct?
(A) I, II, and IV
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, and III

May/June 2012

40. Which of the following pairs correctly links the officer's rank with their specified statutory power under the Foreign Exchange Management Act, 1999?
(A) Under Secretary - Serves as the Competent Authority under Section 37A provisions
(B) Joint Secretary - Minimum rank required to investigate contraventions under Section 37
(C) Customs Officer - Appoints authorized persons to deal in foreign exchange markets
(D) Assistant Director - Minimum rank to file a

NODIA

(A) They inherently include the acquisition of immovable property outside India
(B) They involve alterations in the liabilities outside India of a resident
(C) They are explicitly barred unless specifically permitted by the Central Government
(D) They include payments due as interest on loans and income from investments

Oct/Nov 2020

31. Match the legal forum in List I with its specific jurisdiction or function in List II under the Foreign Exchange Management Act, 1999.
List I: (Legal Forum)
P. Special Director (Appeals)
Q. High Court
R. Appellate Tribunal
S. Directorate of Enforcement
List II: (Jurisdiction/Function)
1. Hears the first appeal against adjudication orders
2. Investigates contraventions of the provisions of the Act
3. Entertains appeals involving questions of law
4. Hears appeals against orders passed by the Competent Authority
Which of the following options correctly matches the lists?
(A) P-1, Q-3, R-4, S-2
(B) P-2, Q-4, R-1, S-3
(C) P-3, Q-1, R-2, S-4
(D) P-4, Q-2, R-3, S-1

May/June 2022

32. Consider the following statements regarding 'Current account transactions' under the Foreign Exchange Management Act, 1999:
I. Payments due as interest on loans are classified as current account transactions.
II. Remittances for living expenses of parents residing abroad are current account transactions.
III. Transactions that alter the assets outside India of a person resident in India are current account transactions.
Which of the above statements are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2023

33. Match the term in List I with its corresponding inclusion or example in List II based on the provisions of the Foreign Exchange Management Act, 1999.
List I: (Term)
P. Capital account transaction
Q. Current account transaction
R. Foreign exchange
S. Security
List II: (Inclusion/Example)
1. Remittances for living expenses of parents residing abroad
2. Alteration of assets or liabilities outside India of a resident
3. Deposit receipts and units of any mutual fund
4. Letters of credit drawn in Indian currency but payable in foreign currency
Which of the following options correctly matches the lists?
(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-1, R-4, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-3, R-2, S-1

May/June 2016

34. Consider the following statements regarding the adjudicating process and appeals under the Foreign Exchange Management Act, 1999:
I. Adjudicating Authorities can recommend the initiation of prosecution after recording reasons in writing.
II. No court shall take cognizance of an offence under Section 13(1C) except on a written complaint by an officer not below Assistant Director.
III. Any person aggrieved by the Special Director (Appeals) order can appeal to the Appellate Tribunal.
IV. Appeals to the High Court are permitted for both questions of fact and questions of law.
Which of the above statements are correct?
(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

Oct/Nov 2009

35. Consider the following statements regarding the Foreign Exchange Management Act (FEMA), 1999:

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May/June 2005

46. Consider the following steps involved in the seizure of equivalent value assets under Section 37A of the Foreign Exchange Management Act, 1999:

I. Authorized Officer passes an order to seize equivalent value assets situated within India.
II. Receipt of information regarding foreign exchange held abroad in contravention of Section 4.
III. Competent Authority disposes of the petition within 180 days.
IV. Order of seizure and relevant materials are placed before the Competent Authority within 30 days.

Which of the following represents the correct chronological order of these steps?
(A) II, I, IV, III
(B) I, II, III, IV
(C) II, IV, I, III
(D) I, IV, II, III

Oct/Nov 2022

47. Consider the following statements regarding the transition from the Foreign Exchange Regulation Act (FERA) to the Foreign Exchange Management Act (FEMA):

I. FERA primarily aimed at the conservation of foreign exchange resources.
II. FEMA aims to facilitate external trade and payments.
III. FEMA seeks to promote the orderly development of the foreign exchange market in India.
IV. FERA was repealed because it was considered too lenient.

Which of the above statements are correct?
(A) I, II, and IV
(B) I, III, and IV
(C) I, II, and III
(D) II, III, and IV

May/June 2018

48. Which of the following pairs accurately matches the transaction type with its definition under the Foreign Exchange Management Act, 1999?
(A) Current account transaction - A transaction altering assets outside India of a resident
(B) Current account transaction - Remittances for education of children abroad
(C) Capital account transaction - Payment of interest on loans and similar obligations
(D) Capital account transaction - Expenses in connection with foreign travel and stays

Oct/Nov 2016

49. Consider the following statements regarding the seizure of assets under Section 37A of the Foreign Exchange Management Act, 1999:

I. The Authorized Officer may seize equivalent value assets situated within India.
II. No seizure shall be made if the aggregate value of foreign exchange held abroad is less than the prescribed threshold.
III. The order of seizure must be placed before the Competent Authority within thirty days.

Which of the above statements are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2014

50. Consider the following statements regarding the powers of the Reserve Bank of India (RBI):

I. The RBI has the power to appoint authorized persons to deal in foreign exchange.
II. The RBI has the power to inspect authorized persons to ensure compliance with formulated rules and regulations.

Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2007

51. Consider the following statements related to Section 37A and appeals under the Foreign Exchange Management Act, 1999:

I. The Competent Authority disposes of petitions regarding seized equivalent assets within 180 days.
II. The order confirming seizure continues till the disposal of adjudication proceedings.
III. Bringing back the foreign exchange to India enables the authority to set aside the seizure.
IV. An aggrieved person is prohibited from appealing an order passed by the Competent Authority.
V. The Appellate Tribunal is constituted under the Smugglers and Foreign Exchange Manipulators Act, 1976.

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Which of the above statements are correct?
(A) I, II, III, and V
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2025

52. Match the section or sub-section in List I with its subject matter in List II under the Foreign Exchange Management Act, 1999.
List I: (Section/Sub-section)
P. Section 13(1C)
Q. Section 36
R. Section 10/11
S. Section 37A
List II: (Subject Matter)
1. Appointment of authorized persons
2. Imprisonment up to five years for severe contraventions
3. Special provisions relating to assets held outside India
4. Establishment of the Directorate of Enforcement
Which of the following options correctly matches the lists?
(A) P-2, Q-4, R-1, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-3, R-2, S-1

Oct/Nov 2019

53. Which of the following pairs incorrectly links the entity with its inclusion under the definition of a 'Person' in the Foreign Exchange Management Act, 1999?
(A) Hindu Undivided Family - Person
(B) Unincorporated body of individuals - Person
(C) Branch owned by an individual - Not a person
(D) Artificial juridical person - Person

May/June 2009

54. Consider the following statements regarding Section 37A of the Foreign Exchange Management Act, 1999:
I. The Competent Authority is an officer not below the rank of Joint Secretary.
II. The Competent Authority must dispose of the petition within 180 days from the date of seizure.
III. The period of stay granted by a court is included while computing the 180-day period.
IV. Section 15, detailing the power to compound contraventions, does not apply to this section.
Which of the above statements are correct?
(A) I, II, and III
(B) II, III, and IV
(C) I, II, and IV
(D) I, III, and IV

Oct/Nov 2011

55. Consider the following statements regarding Section 3 of the Foreign Exchange Management Act, 1999:
I. No person shall deal in or transfer any foreign exchange to any person not being an authorized person.
II. Persons resident outside India are explicitly barred from holding or owning immovable property situated outside India.
III. No person shall make any payment to the credit of any person resident outside India in any manner.
Which of the above statements are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

May/June 2010

56. Match the authority or officer in List I with their corresponding power or role in List II under the Foreign Exchange Management Act, 1999.
List I: (Authority/Officer)
P. Reserve Bank of India
Q. Competent Authority
R. Adjudicating Authority
S. Central Government
List II: (Power/Role)
1. Recommends initiation of prosecution
2. Disposes of petitions related to seizure of assets under Section 37A
3. Establishes the Directorate of Enforcement
4. Appoints and inspects authorized persons
Which of the following options correctly matches the lists?
(A) P-4, Q-2, R-1, S-3
(B) P-2, Q-3, R-4, S-1
(C) P-3, Q-1, R-2, S-4
(D) P-1, Q-4, R-3, S-2

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Oct/Nov 2024

57. Consider the following statements regarding the definition of 'Person' under the Foreign Exchange Management Act, 1999:

I. An individual is a person.
II. A Hindu Undivided Family is a person.
III. An association of persons is a person only if incorporated.
IV. Every artificial juridical person is a person.
V. Any agency, office, or branch owned or controlled by such person is also a person.

Which of the above statements are correct?

(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2017

58. Which of the following pairs incorrectly associates the definition of 'Security' under the Foreign Exchange Management Act, 1999?

(A) Security - All bills of exchange
(B) Security - Savings certificates
(C) Security - Government promissory notes
(D) Security - Units of any mutual fund

Oct/Nov 2005

59. Consider the following statements about the definition of 'person resident in India' under the Foreign Exchange Management Act, 1999:

I. An individual residing in India for more than 182 days in the preceding financial year is unconditionally considered a resident.
II. A person who goes out of India for taking up employment is considered a person resident outside India.
III. An office outside India owned by a person resident in India is considered a person resident in India.
IV. A body corporate registered in India is considered a person resident in India.

Which of the above statements are correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

May/June 2020

60. Consider the following statements regarding the term 'Repatriate to India' under the Foreign Exchange Management Act, 1999:

I. It includes the holding of a realized amount in an account with an authorized person in India to the extent notified by the Reserve Bank.
II. It includes the use of the realized amount for the discharge of a debt or liability denominated in foreign exchange.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2015

61. An American multinational company opened a branch office in New Delhi on June 10, 2023, which is wholly owned and controlled by its US headquarters. Determine the residential status of this branch office in New Delhi under the Foreign Exchange Management Act, 1999.

(A) Person resident outside India, because it is wholly owned and controlled by an American company
(B) Deemed foreign territory, thereby operating entirely outside the legal jurisdiction of the FEMA regulations
(C) Person resident in India, being an office in India owned by a person resident outside India
(D) Artificial juridical person resident outside India for the purpose of foreign exchange regulations

May/June 2013

62. If Delta Traders appeals to the High Court against the order of the Appellate Tribunal under the Foreign Exchange Management Act, 1999, what specific constraint applies to the High Court's jurisdiction over the appeal?

(A) The High Court can only review the quantum of the penalty imposed on the entity
(B) The High Court can only entertain the appeal if questions of law are involved
(C) The High Court can only hear appeals filed directly by the Directorate of Enforcement
(D) The High Court can only adjudicate matters involving assets seized outside of India

NODIA

Oct/Nov 2021

63. In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:

can be fined three times the value. Prosecution requires a complaint from an Assistant Director or higher. Exceeding certain thresholds can lead to five years of imprisonment. However, the law does allow for the confiscation of equivalent value assets situated in India, making the third statement provided incorrect.

46. (A) II, I, IV, III
The process begins with the receipt of information about illegal foreign assets. Next, the Authorized Officer issues an order to seize equivalent domestic assets. This order and related materials must be placed before the Competent Authority within thirty days. Finally, the Competent Authority has one hundred and eighty days to dispose of the petition and confirm the seizure.

47. (C) I, II, and III
FERA was characterized by its focus on conserving foreign exchange through strict control. In contrast, FEMA was enacted to facilitate external trade and foster the orderly development of India's foreign exchange market. FERA was repealed not because it was lenient, but because its rigorous and restrictive nature was seen as a hurdle to economic growth in a liberalized economy.

48. (B) Current account transaction - Remittances for education of children abroad
A current account transaction includes various personal and trade-related payments, such as expenses for foreign travel and the education of children abroad. In contrast, transactions that alter assets or liabilities outside India, such as purchasing property or taking long-term loans, are classified as capital account transactions. This distinction is fundamental to the regulatory oversight of foreign exchange outflows.

49. (D) I, II, and III
Section 37A allows officers to seize domestic assets of equivalent value when foreign assets are held illegally. However, this power is restricted; no seizure can occur if the total value of foreign exchange held abroad is below a certain prescribed threshold. Furthermore, the seizure order must be submitted to the Competent Authority within thirty days for mandatory legal validation.

50. (C) Both I and II
The Reserve Bank of India plays a central role in managing foreign exchange. It has the statutory authority to appoint authorized persons, such as dealers and money changers, to operate in the market. Additionally, the Reserve Bank possesses the power to inspect these authorized persons to ensure they comply with all relevant rules, regulations, and directions issued by the bank.

51. (A) I, II, III, and V
The Competent Authority has one hundred and eighty days to resolve asset seizure petitions. Confirmed seizures remain in effect until adjudication is complete. Repatriating the foreign exchange can lead to the seizure being set aside. The Appellate Tribunal for these matters is constituted under the Smugglers and Foreign Exchange Manipulators Act. However, aggrieved persons are permitted to appeal these orders.

52. (A) P-2, Q-4, R-1, S-3
Section 13(1C) provides for imprisonment up to five years for severe contraventions. Section 36 deals with the establishment of the Directorate of Enforcement. Sections 10 and 11 cover the appointment and regulation of authorized persons. Section 37A contains special provisions for the seizure of equivalent domestic assets when foreign exchange is held illegally outside of the territory.

53. (C) Branch owned by an individual - Not a person
The definition of a person under the Act is extremely broad. It includes individuals, Hindu Undivided Families, and unincorporated bodies. Crucially, it also includes any agency, office, or branch that is owned or controlled by such a person. Therefore, an office or branch owned by an individual is legally considered a person for the purposes of foreign exchange regulation.

54. (C) I, II, and IV
The Competent Authority must be a Joint Secretary or higher and must dispose of petitions within one hundred and eighty days. Furthermore, the power to compound contraventions under Section 15 is explicitly excluded for cases under Section 37A. However, any period of stay granted by a court is actually excluded when calculating the one hundred and eighty-day mandatory disposal period.

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questions of law are involved.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2013

69. An enforcement investigation under the Foreign Exchange Management Act, 1999, is initiated against Delta Traders, an entity operating in Chennai. Can the Central Government authorize a state police officer to exercise the powers of the Director of Enforcement in investigating Delta Traders?
(A) No, only customs and central excise officers can be authorized for such investigations
(B) No, state officers have no jurisdiction over central acts such as the FEMA regulations
(C) Yes, but only if the police officer holds a rank equivalent to a High Court judge
(D) Yes, subject to conditions, any police officer can be authorized by the government

May/June 2015

70. Once the seizure of Mr. Gupta's equivalent domestic assets is confirmed under Section 37A of the Foreign Exchange Management Act, 1999, under what condition can the Adjudicating Authority pass an order to set aside the seizure?
(A) If Mr. Gupta files an appeal directly to the Supreme Court against the officer
(B) If Mr. Gupta pays a compounding fee equal to five percent of the total asset value
(C) If Mr. Gupta discloses the asset and brings the foreign exchange back to India
(D) If Mr. Gupta transfers the foreign asset to another resident Indian citizen in India

Oct/Nov 2012

71. In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): Remittances for living expenses of parents residing abroad are classified as capital account transactions.
Reason (R): Capital account transactions are those that alter the assets or liabilities outside India of persons resident in India.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2011

72. If Mr. Sharma, who has moved to Dubai for employment, remits money from Dubai to India for the medical care of his parents residing in Mumbai, how will this transaction be classified under the Foreign Exchange Management Act, 1999?
(A) Capital account transaction
(B) Unauthorized foreign exchange dealing
(C) Prohibited corresponding inward remittance
(D) Current account transaction

Oct/Nov 2020

73. If Delta Traders appeals to the High Court against the order of the Appellate Tribunal under the Foreign Exchange Management Act, 1999, what specific constraint applies to the High Court's jurisdiction over the appeal?
(A) The High Court can only review the quantum of the penalty imposed on the entity
(B) The High Court can only entertain the appeal if questions of law are involved
(C) The High Court can only hear appeals filed directly by the Directorate of Enforcement
(D) The High Court can only adjudicate matters involving assets seized outside of India

May/June 2022

74. Alpha Inc., a company incorporated in the USA, entered into an agreement with Beta Ltd., an Indian company. Alpha Inc. instructed Beta Ltd. to receive Rs. 50 lakhs directly from Gamma Ltd., another Indian company, on behalf of Alpha Inc., to settle a trade due, without any corresponding inward remittance from outside India. How does the Foreign Exchange Management Act, 1999, categorize Beta Ltd.'s receipt of Rs. 50 lakhs on behalf of Alpha Inc.?
(A) A permissible current account transaction for essential family living expenses
(B) An authorized capital account transaction altering the liabilities of the resident

NODIA

Assertion (A): Under the Foreign Exchange Management Act, 1999, there is no bar on a person resident outside India to hold, own, transfer, or invest in immovable property situated outside India.
Reason (R): Section 3 explicitly prohibits unauthorized persons from entering into financial transactions in India to acquire assets outside India.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2024

64. Mr. Gupta, a person resident in India, illegally acquired an immovable property in London worth equivalent to Rs. 10 Crores in contravention of Section 4 of the Foreign Exchange Management Act, 1999. This value exceeds the prescribed threshold. Under Section 37A, what action can the Authorized Officer immediately take regarding Mr. Gupta's assets?
(A) Seize equivalent value situated within India of the foreign immovable property
(B) Order the direct and immediate auction of the London property by central agents
(C) Arrest Mr. Gupta immediately without a warrant for a non-bailable criminal offence
(D) Compound the contravention directly to settle the entire matter without further action

Oct/Nov 2008

65. In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): The Foreign Exchange Management Act, 1999, replaced the Foreign Exchange Regulation Act, 1973.
Reason (R): FERA was repealed mainly because it was felt that it was too rigorous and had outlived its utility in promoting economic development.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2006

66. Does Beta Ltd. have the legal authority to deal in or transfer foreign exchange as per the arrangement where it receives domestic funds on behalf of a US-based company without Reserve Bank of India (RBI) permission?
(A) Yes, any registered Indian company is automatically considered an authorized person
(B) No, unless Beta Ltd. is an authorized person or has specific RBI permission
(C) Yes, provided the amount is strictly utilized for corporate social responsibility funds
(D) No, because dealing in foreign exchange is exclusively reserved for the Central Government

Oct/Nov 2017

67. XYZ Exporters Ltd., an Indian company, exported goods worth USD 500,000 to a buyer in the UK. After receiving the payment in their UK bank account, XYZ Exporters decided to hold the entire proceeds permanently in the UK to fund future raw material purchases without bringing the funds into India. The Reserve Bank of India (RBI) uncovers this arrangement. Which specific requirement of the Foreign Exchange Management Act, 1999, has XYZ Exporters Ltd. primarily violated?
(A) Failing to register as an authorized money changer
(B) Failing to furnish the required declaration to the Directorate of Enforcement
(C) Failing to repatriate the export proceeds to India
(D) Failing to convert the proceeds into British Pounds before holding them

May/June 2008

68. In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): Appeals involving questions of law against the orders of the Appellate Tribunal lie directly to the Supreme Court.
Reason (R): The High Court entertains appeals from the Appellate Tribunal only when

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ANSWERS

1. (B) Up to two lakh rupees
Under Section 13 of the Foreign Exchange Management Act, 1999, if a person contravenes any provision of the Act, and the amount involved in such contravention is not quantifiable, the penalty may extend up to two lakh rupees. This provision ensures that even without a specific monetary value, violations are met with a substantial financial deterrent.

2. (C) The adjudicating authority cannot direct foreign exchange holdings to be repatriated into India
Under Section 13 of the Act, the Adjudicating Authority has the power to direct that foreign exchange holdings in respect of which the contravention has taken place be brought back to India. It can also order the confiscation of any currency, security, or money-related property involved in such contraventions to ensure comprehensive compliance with the regulatory framework.

3. (C) Any currency other than Indian currency
The Foreign Exchange Management Act, 1999, provides a simple and broad definition for foreign currency. It specifies that any currency that is not the legal tender of India, which is the Indian rupee, falls under the category of foreign currency. This distinction is fundamental for identifying all monetary instruments that are subject to the specific regulations of the Act.

4. (C) Serving as an officer not below the rank of Assistant Director
The Competent Authority under Section 37A of the Act is an officer specifically appointed by the Central Government. This officer must not be below the rank of a Joint Secretary. Their primary role involves reviewing seizure orders made by authorized officers regarding domestic assets and disposing of such petitions within a mandatory timeframe of one hundred and eighty days.

5. (B) The person is deemed to have received payment through someone other than an authorized person
According to Section 3 of the Act, receiving any payment by order or on behalf of any person resident outside India without a corresponding inward remittance from abroad is a violation. Such a transaction is legally treated as receiving payment through a person other than an authorized dealer, which contravenes the established legal channels for foreign exchange transactions.

6. (B) Disclose the foreign assets and bring the foreign exchange back to India
Section 37A provides a specific mechanism for individuals whose domestic assets have been seized due to illegal holdings abroad. If the person discloses the foreign assets and repatriates the realized foreign exchange back to India, the Adjudicating Authority may set aside the seizure. This incentive encourages the return of foreign exchange into the country's official regulatory framework.

7. (B) An authorized money changer, dealer, off-shore banking unit, or person authorized to deal in foreign exchange
The term authorized person refers to an entity that is permitted by the Reserve Bank of India to deal in foreign exchange or foreign securities. This includes authorized dealers, money changers, and offshore banking units. These entities are essential for the regulated flow of foreign exchange and must comply with the directions issued by the Reserve Bank.

8. (B) The High Court entertains appeals only where specific questions of law are involved
In the judicial hierarchy of the Foreign Exchange Management Act, 1999, the High Court serves as an appellate body above the Appellate Tribunal. However, its jurisdiction is strictly limited to cases that involve a question of law. This means that factual disputes must be resolved at lower levels, and the High Court focuses on interpreting the legal provisions.

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(C) A standard domestic financial transaction outside the purview of the FEMA rules
(D) A deemed receipt of payment otherwise than through an authorized person

Oct/Nov 2023

75. Mr. Sharma, an Indian citizen, resided in Mumbai for 200 days during the financial year 2022-23. On April 5, 2023, he left for Dubai to take up a permanent employment contract. Determine the residential status of Mr. Sharma for the financial year 2023-24 under the Foreign Exchange Management Act, 1999.
(A) Person resident outside India, because he went abroad for taking up employment
(B) Person resident in India, because he stayed in India for more than 182 days in the preceding financial year
(C) Person resident in India, because he retains his Indian citizenship
(D) Person resident outside India, because his stay in India in the preceding year was less than 365 days

May/June 2016

76. Regarding the contravention by XYZ Exporters Ltd. in failing to repatriate export proceeds, if it is determined to be a continuing one, what additional daily penalty can be imposed after the first day during which the contravention continues?
(A) Up to one thousand rupees for every day
(B) Up to five thousand rupees for every day
(C) Up to ten thousand rupees for every day
(D) Up to twenty thousand rupees for every day

Oct/Nov 2009

77. If the Adjudicating Authority decides to confiscate the Rs. 50 lakhs received by Beta Ltd. in contravention of the Foreign Exchange Management Act, 1999, and Beta Ltd. had already deposited these funds into a corporate bank account, can the bank deposits be confiscated?
(A) No, bank deposits are insulated from confiscation under the current FEMA provisions
(B) No, only physical cash or immovable property can be formally confiscated by the state
(C) Yes, "property" includes deposits in a bank where the property is converted
(D) Yes, but only if the bank explicitly consents to the confiscation through its board

May/June 2023

78. In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:
Assertion (A): The order of seizure of equivalent assets situated in India by an Authorized Officer must be placed before the Competent Authority within a period of thirty days.
Reason (R): The Competent Authority is an officer not below the rank of Joint Secretary appointed by the Central Government.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2018

79. If the Adjudicating Authority imposes a penalty on XYZ Exporters Ltd. for the failure to repatriate export proceeds worth USD 500,000, what is the maximum penalty amount that can be levied under the Foreign Exchange Management Act, 1999?
(A) Up to USD 500,000
(B) Up to USD 1,000,000
(C) Up to USD 1,500,000
(D) Up to Rs. 2 lakhs

May/June 2007

80. Who has the authority to direct prosecution by filing a Criminal Complaint against Mr. Gupta for acquiring foreign immovable property exceeding the threshold in contravention of the Foreign Exchange Management Act, 1999?
(A) The Director of Enforcement upon satisfaction and recording reasons in writing
(B) The Authorized Officer who executed the seizure of domestic assets in the field
(C) The Competent Authority overseeing the seizure of assets under Section 37A
(D) The Governor of the Reserve Bank of India in consultation with the Finance Ministry

NODIA

18. (A) Assistant Director
For the purpose of prosecution under Section 13, a court can only take cognizance of an offense if a written complaint is filed. This complaint must be submitted by an officer of the Directorate of Enforcement. The statute mandates that this officer must not be below the rank of an Assistant Director to ensure higher level administrative oversight.

19. (D) The Competent Authority must be an officer not below the rank of Under Secretary
Section 37A deals with special provisions for assets held outside India. The Competent Authority designated to review these cases must be an officer appointed by the Central Government, holding a rank not below that of a Joint Secretary. An Under Secretary rank is insufficient for this specific role, as the law requires a senior official to handle these significant matters.

20. (A) The RBI can inspect authorized persons to ensure compliance with formulated rules
The Reserve Bank of India holds broad regulatory powers over authorized persons, including dealers and money changers. It can conduct inspections of their business premises and records to ensure that they are following the rules and directions issued under the Act. These inspections are crucial for maintaining the integrity of the market and preventing illegal financial activities.

21. (C) Appellate Tribunal → High Court → Supreme Court
The judicial review process under the Act follows a structured hierarchy. A person aggrieved by an order of the Adjudicating Authority or the Special Director (Appeals) can file an appeal with the Appellate Tribunal. Subsequent appeals against the Tribunal's decisions involving questions of law are heard by the High Court, followed by the Supreme Court as the final authority.

22. (B) The Central Government
The Directorate of Enforcement is the specialized agency responsible for investigating and enforcing the provisions of the Foreign Exchange Management Act. It is established and funded by the Central Government of India. The government also appoints the Director of Enforcement and other necessary officers to ensure the effective administration and investigation of all foreign exchange related contraventions.

23. (D) It imposes no bar on such holdings, ownership, or transfers
The Act focuses on regulating the foreign exchange activities of persons resident in India. It does not impose restrictions on persons resident outside India regarding their ownership or transfer of foreign currency, foreign securities, or immovable property situated outside India. Such individuals are free to manage their international assets without requiring permission from the Indian regulatory authorities or government.

24. (D) Unit certificates of a domestic mutual fund
The definition of currency includes various monetary instruments like coins, currency notes, postal orders, money orders, and travelers' cheques. It also encompasses drafts, bills of exchange, and credit cards. However, unit certificates of a domestic mutual fund are categorized as securities rather than currency. This distinction is important for the specific regulatory treatment of different types of instruments.

25. (B) An association of persons is considered a person only if it is legally incorporated
The term person is defined broadly in the Act to include individuals, Hindu Undivided Families, and companies. It also specifically includes any association of persons or a body of individuals, whether they are incorporated or not. Furthermore, the definition extends to agencies, offices, or branches owned by such entities, ensuring that a wide range of actors are covered.

26. (D) Bringing realized foreign exchange into India and selling it to an authorized person or holding it in a notified account
Repatriation to India means the process of bringing back foreign exchange that was realized outside the country. This involves selling the foreign exchange to an authorized person in India in exchange for rupees. Alternatively, it can mean holding the realized amount in an account with an authorized person to the extent permitted by the Reserve Bank of India.

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9. (B) A person in India for 200 days who goes abroad for taking up employment
A person is generally considered a resident if they stayed in India for more than one hundred and eighty-two days during the preceding financial year. However, this definition excludes individuals who leave India for taking up employment, carrying on a business, or for any other purpose that indicates an intention to stay outside India for an uncertain period.

10. (C) To facilitate external trade and promote the orderly development of the foreign exchange market
The shift from FERA to FEMA marked a transition from a regime of strict control and conservation to one of management. The primary goal of FEMA is to simplify the laws relating to foreign exchange to encourage external trade and payments. It also aims to foster the growth and maintenance of a healthy and stable market in India.

11. (D) Any security in foreign currency, even if redemption is payable in Indian currency
Foreign security refers to any security, whether in the form of shares, stocks, bonds, or debentures, that is denominated or expressed in foreign currency. It also includes securities where the interest or dividends are payable in foreign currency. Even if the principal redemption amount is payable in Indian currency, the initial denomination in foreign currency classifies the instrument.

12. (C) 1999
The Foreign Exchange Management Act was enacted by the Indian Parliament in the year 1999. It replaced the previous legislation, the Foreign Exchange Regulation Act of 1973. This new Act was designed to modernize the legal framework for foreign exchange and align it with the economic liberalization policies that began in India during the early nineteen-nineties.

13. (A) It includes all forms of bills of exchange and promissory notes
Under the Act, the definition of security includes shares, stocks, bonds, and debentures. It also encompasses government securities and units of mutual funds. However, the definition is specific and does not automatically include all forms of bills of exchange or promissory notes. These instruments are generally categorized separately as part of the broader definition of foreign exchange.

14. (C) It applies to branches outside India owned by a person resident in India
The Act has extra-territorial application, extending beyond the geographical borders of India. It applies to all branches, offices, and agencies situated outside the country if they are owned or controlled by a person who is a resident in India. This ensures that residents cannot bypass foreign exchange regulations by conducting transactions through their entities or offices located abroad.

NODIA

15. (D) Deposits in a bank, Indian currency, and property resulting from conversion
When the Adjudicating Authority orders confiscation under Section 13, the term property is interpreted broadly. It includes any currency, security, or money in respect of which the contravention took place. Furthermore, it covers bank deposits and Indian currency obtained through the conversion of such properties. This comprehensive scope ensures that the proceeds of illegal transactions are effectively recovered.

16. (A) A transaction altering the assets or liabilities of residents outside India or non-residents within India
A capital account transaction is specifically defined as a transaction that changes the assets or liabilities, including contingent liabilities, situated outside India for a person resident in India. It also covers transactions that alter assets or liabilities located within India for a person resident outside India. These transactions typically involve long-term investments, loans, and the acquisition of immovable property.

17. (A) For taking up employment outside India
Even if an individual resides in India for more than one hundred and eighty-two days, they are not treated as a resident if they leave the country for specific purposes. These include taking up employment, carrying on a vocation, or staying abroad for an uncertain duration. In such cases, the individual is categorized as a person resident outside India.

36. (C) I, II, IV, and V
Residents outside India can freely hold foreign currency abroad, and exporters must declare their transaction values to the Reserve Bank. Receiving payments indirectly without inward remittance is a violation, and authorized persons must follow specific directions. However, export proceeds cannot be held permanently abroad; they must be repatriated to India within a specified period as mandated by law.

37. (A) IV, II, III, I
The typical appellate journey begins with an appeal to the Special Director (Appeals) against an initial order. If still aggrieved, the party moves to the Appellate Tribunal. Decisions of the Tribunal can then be challenged in the High Court on questions of law. Finally, the Supreme Court serves as the ultimate forum for any further legal appeals regarding the case.

38. (D) I, II, and III
The legal definition of foreign exchange is broad and inclusive. It includes any amount payable in foreign currency as well as drafts expressed in Indian currency but payable abroad in foreign currency. Additionally, it covers letters of credit that are drawn by banks located outside India but are payable within India in Indian currency. This ensures that cross-border instruments are regulated.

39. (A) I, II, and IV
Officers of the Directorate of Enforcement who are not below the rank of Assistant Director are empowered to investigate contraventions. The Central Government can also authorize certain classes of Reserve Bank officers or police officers to exercise the powers of enforcement. However, the government also has the authority to empower customs officers to discharge these duties under specific conditions.

40. (D) Assistant Director - Minimum rank to file a Criminal Complaint for prosecution
Under Section 13 of the Act, prosecution for a contravention requires a written complaint by an officer. The law specifies that this officer must hold a rank not below that of an Assistant Director within the Directorate of Enforcement. This requirement ensures that the decision to initiate criminal proceedings is made by a sufficiently senior official with proper legal standing.

41. (A) I, II, IV, and V
Currency specifically includes credit cards, while security encompasses savings certificates and mutual fund units. Foreign security includes instruments expressed in foreign currency, regardless of the redemption currency. Capital account transactions are those that change assets or liabilities for residents or non-residents. However, not all bills of exchange are securities; many are categorized as currency or part of general exchange.

42. (B) P-3, Q-1, R-4, S-2
A penalty of up to two lakh rupees applies when the contravention amount is unquantifiable. Continuing contraventions attract a daily fine of up to five thousand rupees. When the amount is quantifiable, the penalty can reach three times the sum involved. Severe contraventions involving the acquisition of foreign exchange exceeding specific thresholds can lead to imprisonment for up to five years.

43. (C) I and III only
Penalties for quantifiable contraventions can reach up to three times the amount involved. The law also permits the confiscation of property, including bank deposits, if the illegal assets were converted into such forms. However, the daily penalty for a continuing contravention is up to five thousand rupees, not ten thousand, making the second statement in the provided list inaccurate.

44. (A) Only I
The Central Government is responsible for establishing the Directorate of Enforcement and appointing its director and other necessary officers. While the government can authorize other officials, such as police or customs officers, to exercise enforcement powers, this does not happen automatically. Explicit authorization from the Central Government is required before any state officer can legally perform these enforcement duties.

45. (A) I, II, IV, and V
Non-quantifiable contraventions face a two lakh rupee penalty, while quantifiable ones

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27. (A) To ensure export proceeds are repatriated to India and not held abroad
Exporters are required to furnish a declaration to the Reserve Bank of India to confirm the full export value of their goods or services. This requirement is primarily intended to monitor and ensure that the foreign exchange earned through international trade is brought back into India within the prescribed time. This process helps maintain the country's exchange reserves.

28. (A) They represent financial obligations originating externally that are settled using domestic currency
Under the Act, foreign exchange includes drafts or bills of exchange drawn by banks outside India but payable in Indian currency. Although the payment is made in rupees, the origin of the instrument is external, and it represents a cross-border financial obligation. Classifying such instruments as foreign exchange allows the authorities to regulate transactions that impact the national balance.

29. (C) Remittances for purchasing immovable property situated outside India
Current account transactions involve payments related to foreign trade, interest on loans, and living expenses for relatives abroad. However, the purchase of immovable property outside India is a transaction that creates a new asset for a resident. Therefore, it is classified as a capital account transaction. This distinction is critical because capital account transactions are subject to different regulatory limits.

30. (D) They include payments due as interest on loans and income from investments
A current account transaction is defined as a transaction other than a capital account transaction. It typically includes recurring payments such as those due in connection with foreign trade, interest on various loans, and net income from investments. Additionally, it covers remittances for living expenses of parents, spouse, and children residing abroad, as well as education and medical expenses.

31. (A) P-1, Q-3, R-4, S-2
The Special Director (Appeals) hears first appeals against adjudication orders. The High Court has jurisdiction over appeals involving specific questions of law. The Appellate Tribunal is the forum for hearing appeals against orders passed by the Competent Authority. Finally, the Directorate of Enforcement is the primary agency responsible for investigating any contraventions of the provisions of the Act.

32. (A) I and II only
Payments due as interest on loans and remittances for the living expenses of parents residing abroad are classic examples of current account transactions under the Act. In contrast, any transaction that alters the assets outside India for a person resident in India is classified as a capital account transaction. Understanding this categorical difference is essential for determining the applicable requirements.

33. (B) P-2, Q-1, R-4, S-3
Capital account transactions involve the alteration of assets or liabilities outside India. Current account transactions include remittances for living expenses of relatives abroad. Foreign exchange encompasses letters of credit drawn in Indian currency but payable in foreign currency. Finally, securities include deposit receipts and units of any mutual fund. This mapping reflects the comprehensive legal definitions provided within the Act.

34. (A) I, II, and III
Adjudicating Authorities have the power to recommend prosecution if they record their reasons in writing. Furthermore, a court cannot take cognizance of a criminal offense unless a senior officer files a written complaint. Aggrieved parties can also appeal to the Appellate Tribunal. However, the High Court only hears appeals on questions of law, not on questions of fact.

35. (C) Both I and II
The Act applies to the entire territory of India and maintains jurisdiction over all branches and agencies located outside India that are owned or controlled by a resident. It also specifically covers any contravention of its provisions committed outside India by any person to whom the Act applies. This wide scope ensures comprehensive oversight of all foreign exchange activities.

NODIA

55. (B) I and III only
Section 3 prohibits dealing in or transferring foreign exchange to anyone except an authorized person. It also bars making payments to the credit of any person resident outside India. However, the Act does not universally bar non-residents from holding property outside India; such holdings are generally permitted and are not the primary focus of these specific foreign exchange regulations.

56. (A) P-4, Q-2, R-1, S-3
The Reserve Bank of India appoints and inspects authorized persons. The Competent Authority is tasked with disposing of petitions related to the seizure of equivalent assets. The Adjudicating Authority holds the power to recommend the initiation of criminal prosecution. Finally, the Central Government is the entity that establishes the Directorate of Enforcement to enforce the specific provisions of the Act.

57. (B) I, II, IV, and V
The Act defines a person to include individuals, Hindu Undivided Families, and artificial juridical persons. It also includes any branch or office owned or controlled by a person. While associations of persons and bodies of individuals are also included, they are covered regardless of whether they are incorporated or not. This ensures that various organizational forms are regulated.

58. (A) Security - All bills of exchange
The definition of security in the Act includes items like shares, stocks, bonds, debentures, and savings certificates. It also specifically mentions government securities and units of mutual funds. However, the Act does not classify all bills of exchange as securities. Many such instruments are instead part of the definition of currency or general foreign exchange rather than being treated as securities.

59. (B) II, III, and IV
A person leaving India for employment is treated as a resident outside India. Additionally, offices outside India owned by residents and body corporates registered in India are considered residents. However, simply staying in India for more than one hundred and eighty-two days does not make someone a resident unconditionally, as the purpose of their stay or departure also matters significantly.

60. (C) Both I and II
Repatriation to India includes holding realized foreign exchange in an account with an authorized person to the extent permitted by the Reserve Bank. It also encompasses the use of such realized amounts to discharge debts or liabilities that are denominated in foreign exchange. These provisions allow for flexibility in how realized foreign earnings are managed while still ensuring overall compliance.

61. (C) Person resident in India, being an office in India owned by a person resident outside India
The Act defines a person resident in India to include any office, branch, or agency located within India that is owned or controlled by a person resident outside India. Therefore, the New Delhi branch office of an American multinational company is legally classified as a resident for the purposes of foreign exchange regulations, regardless of the parent company location.

62. (B) The High Court can only entertain the appeal if questions of law are involved
When a party appeals a decision from the Appellate Tribunal to the High Court, the court's jurisdiction is not unlimited. According to the Act, the High Court is only empowered to hear such appeals if they involve a specific question of law. Factual disputes or disagreements regarding the findings of fact are generally concluded at the level of the Tribunal.

63. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
It is true that residents outside India can freely hold property abroad. It is also true that Section 3 prohibits residents from acquiring foreign assets through unauthorized domestic financial transactions. However, the prohibition on residents does not explain why non-residents have the freedom to hold their own assets abroad. These are two distinct regulatory principles within the legal framework.

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CHAPTER 11

Payment and Settlement Systems Act, 2007

NODIA

May/June 2016

1. Within what time frame must an aggrieved service provider appeal to the Central Government against the revocation of authorization by the Reserve Bank of India?

(A) Within fifteen days from the date on which the order is communicated

(B) Within forty-five days from the date on which the order is communicated

(C) Within sixty days from the date on which the order is communicated

(D) Within thirty days from the date on which the order is communicated

Oct/Nov 2009

2. Identify the incorrect statement regarding the Reserve Bank of India's power to issue directions.

(A) The Reserve Bank of India may issue directions if a system participant is engaging in an act likely to result in systemic risk being inadequately controlled

(B) The Reserve Bank of India can require a system participant to cease and desist from a specific course of conduct

(C) A person to whom a direction has been issued can delay compliance if they file a written objection within two weeks

(D) The Reserve Bank of India may issue directions generally to lay down policies to regulate domestic and international payment systems

May/June 2023

3. How is a "Trade repository" defined under the Payment and Settlement Systems Act, 2007?

(A) A system participant who issues unique legal entity identifiers or identification codes for large-scale financial reporting

(B) A system provider who by way of novation interposes between participants in transactions admitted for settlement

(C) A person engaged in the business of maintaining and processing electronic records or data relating to financial transactions

(D) A bank included in the Second Schedule to the Reserve Bank of India Act, 1934 that provides clearing and settlement

Oct/Nov 2018

4. A settlement that has become final and irrevocable under the approved procedure shall not be affected by an order of insolvency under which of the following laws?

(A) The Banking Regulation Act, 1949

(B) The Companies Act, 2013

(C) The Insolvency and Bankruptcy Code, 2016

(D) All of the above

May/June 2007

5. The Reserve Bank of India is designated as the authority for the regulation and supervision of payment systems. Through which specific mechanism does it exercise these powers?

(A) Through the Central Board of Direct Taxes

(B) Through a Board known as the Payments Regulatory Board

(C) Through the Indian Banks' Association

(D) Through the National Payments Corporation of India

Oct/Nov 2025

6. What happens to a regulation made by the Reserve Bank of India if both Houses of Parliament agree that the regulation should not be made?

(A) The regulation continues to be in force for a grace period of six months

(B) The regulation shall thereafter be of no effect, without prejudice to the validity of anything previously done under it

(C) The regulation shall be reviewed by the Supreme Court of India

(D) The Reserve Bank of India can override Parliament's decision by issuing a special notification

73. (B) The High Court can only entertain the appeal if questions of law are involved
When an appeal is filed with the High Court against an order of the Appellate Tribunal, the court's review power is restricted. It can only consider the case if it presents a substantial question of law. This limitation ensures that the High Court focuses on legal interpretation while the Tribunal remains the final authority for determining and assessing facts.

74. (D) A deemed receipt of payment otherwise than through an authorized person
Section 3 of the Act prohibits residents from receiving payments on behalf of non-residents unless there is a corresponding inward remittance. By receiving funds domestically from one company to settle the debt of a foreign entity without funds entering from abroad, Beta Ltd. is deemed to have received payment through a channel other than an authorized person, violating regulation.

75. (A) Person resident outside India, because he went abroad for taking up employment
Under the Act, an individual's residential status is determined by both their stay in India and the purpose of their departure. Although Mr. Sharma stayed in India for more than one hundred and eighty-two days in the previous year, his departure to take up a permanent employment contract in Dubai reclassifies him as a person resident outside India immediately.

76. (B) Up to five thousand rupees for every day
For contraventions that continue after the first day, the Adjudicating Authority can impose an additional recurring penalty. According to Section 13, this further penalty can extend up to five thousand rupees for every day that the contravention continues. This daily fine acts as a continuous incentive for the individual or entity to rectify the violation and comply with the law.

77. (C) Yes, "property" includes deposits in a bank where the property is converted
The power of confiscation under the Act is broad and covers more than just physical assets. If the funds involved in a contravention are converted into bank deposits, those deposits are legally considered property and can be seized or confiscated by the authorities. This prevents individuals from shielding illegal foreign exchange gains by simply depositing them into a domestic account.

78. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
It is true that seizure orders must be placed before the Competent Authority within thirty days. It is also true that the Competent Authority must be an officer of at least Joint Secretary rank. However, the officer rank is a qualification requirement and does not explain the procedural thirty-day deadline, which is a separate statutory timeframe for timely oversight.

79. (C) Up to USD 1,500,000
When a contravention involves a quantifiable amount, Section 13 provides that the penalty can be up to three times the sum involved. Since the failure to repatriate involves five hundred thousand dollars, the maximum fine the authorities can impose is three times that value, which equals one and a half million dollars. This reflects the seriousness of the violation.

80. (A) The Director of Enforcement upon satisfaction and recording reasons in writing
The Adjudicating Authority, upon satisfaction and recording reasons in writing, recommends the initiation of prosecution. Prosecution for a contravention under the Act is a serious step that requires high-level administrative oversight. The Adjudicating Authority must be satisfied that the case warrants criminal proceedings and must record the reasons for this decision in writing. Following this, an authorized officer can file a formal Criminal Complaint in court, ensuring the prosecution process is legally sound.

NODIA

(C) Operation can continue beyond six months if the operator obtains an authorization under the Act within that period
(D) Operation must cease if the application for authorization made under the relevant section is refused by the Reserve Bank of India

Oct/Nov 2022

14. Which of the following statements accurately reflects the definition of a "Bank" under the Payment and Settlement Systems Act, 2007?
(A) It excludes post office savings banks
(B) It applies exclusively to banks included in the Second Schedule to the Reserve Bank of India Act, 1934
(C) It includes a co-operative bank as defined in the Banking Regulation Act, 1949
(D) It restricts the Reserve Bank of India from notifying any other bank for the purposes of the Act

May/June 2018

15. Which of the following best describes the consequence if the Reserve Bank of India has an objection to a proposed change in a payment system?
(A) The system provider must immediately shut down the payment system and notify all participants of the closure
(B) The system provider can proceed with the change but must pay a compounding penalty to the Reserve Bank
(C) The Central Government takes over the operation of the payment system to ensure stability and continuity
(D) The Reserve Bank communicates objections, and the provider must forward comments within fifteen days

Oct/Nov 2016

16. Under the Payment and Settlement Systems Act, 2007, which of the following best defines "netting"?
(A) The determination of net obligations by setting off or adjusting the payment instructions among system participants
(B) The transfer of funds initiated by an individual through a specific instruction to debit an account via electronic means
(C) The settlement of payment instructions involving international foreign exchange or complex derivatives at a future date
(D) An indebtedness owned by one system participant to another specifically resulting from clearing one or more instructions

May/June 2014

17. In the context of making regulations under the Payment and Settlement Systems Act, 2007, the regulations may provide for all of the following except:
(A) The specific hardware brands that must be purchased by system providers
(B) The format of payment instructions and other matters relating to determination of standards
(C) The intervals and form in which information or returns shall be furnished
(D) The form and manner of application for authorization and the accompanying fees

Oct/Nov 2007

18. What is the designated time limit for the Central Government to endeavor to dispose of an appeal against the revocation of authorization of a payment system?
(A) Three months
(B) One month
(C) Two months
(D) Six months

May/June 2025

19. Which of the following statements regarding changes in the payment system is incorrect?
(A) A system provider cannot cause any structural change without prior approval of the Reserve Bank of India
(B) A notice of not less than thirty days must be given to system participants after the Reserve Bank of India's approval
(C) The Reserve Bank of India can permit changes without giving notice to system participants in the interest of monetary policy
(D) If the Reserve Bank of India objects to a proposed change, the system provider has three months to forward his comments

Oct/Nov 2019

20. Regarding the imposition of charges, which statement is correct as per the provisions of the Payment and Settlement Systems Act, 2007?
(A) No bank or system provider shall impose

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May/June 2012

7. What is the definition of a "Gross settlement system" under the Payment and Settlement Systems Act, 2007?

(A) A payment system where transactions are accumulated over a specific period and offset against each other at once

(B) A payment system where each settlement occurs individually and sequentially on a transaction-by-transaction basis

(C) A payment system enabling funds to be moved between a payer and a beneficiary without the need for clearing houses

(D) A payment system dedicated to handling the specialized settlement of complex derivatives and foreign exchange

Oct/Nov 2014

8. Which of the following statements is correct concerning the Reserve Bank of India's powers to inspect?

(A) The Reserve Bank of India requires a specific court order to enter any premises where a payment system is being operated

(B) Any authorized officer of the Reserve Bank may enter premises and inspect any equipment, including computer systems

(C) The Reserve Bank of India can only inspect public sector banks and not any private sector system or service providers

(D) Inspections can only be carried out if there is a formal written complaint received from an aggrieved system participant

May/June 2019

9. The requirement to obtain an authorization from the Reserve Bank of India to operate a payment system does not apply to which of the following?

(A) A new clearing house established by a consortium of private sector banks for retail operations

(B) A company accepting payments from its holding company or any of its subsidiary companies

(C) A system provider offering domestic or international money transfer operations to individuals

(D) An entity issuing credit cards, debit cards, or smart cards for commercial use by the public

Oct/Nov 2006

10. In the context of settlement processes, how does net settlement fundamentally differ from gross settlement?

(A) Net settlement occurs on a one-to-one basis without bunching transactions, while gross settlement accumulates all transactions

(B) Net settlement is exclusively used for international foreign exchange, while gross settlement is used for domestic transfers

(C) Net settlement offsets multiple transactions to transfer only the differential, while gross settlement settles individually

(D) Net settlement requires a central counter party, whereas gross settlement cannot involve any central counter party or clearing

May/June 2021

11. In the event a system participant is declared insolvent, what is the best description of the system provider's right regarding collaterals?

(A) The system provider must surrender all collaterals to the official liquidator immediately upon insolvency

(B) The system provider must auction the collaterals and deposit the proceeds with the Reserve Bank of India

(C) The system provider's right to collaterals is suspended until all formal insolvency proceedings conclude

(D) The system provider can appropriate collaterals contributed by the participant towards its settlement

NODIA

Oct/Nov 2010

12. When did the Payment and Settlement Systems Act, 2007 come into effect?

(A) April 1, 2007

(B) January 1, 2008

(C) August 12, 2008

(D) March 31, 2009

May/June 2005

13. Which of the following statements is incorrect regarding the continued operation of an existing payment system on the commencement of the Payment and Settlement Systems Act, 2007?

(A) The existing payment system can operate without authorization for an indefinite period

(B) It can operate for a period not exceeding six months from commencement

one per cent of its equity held by public sector banks?
(A) To ensure that public sector banks have a controlling stake in critical nationwide retail clearing infrastructure
(B) To generate the maximum possible dividend revenue for the Central Government and the Reserve Bank of India
(C) To prevent all forms of foreign direct investment in any payment systems operating within the domestic market
(D) To eliminate the need for any future technological upgrades or changes in the existing clearing house systems

Oct/Nov 2015

28. What is the fundamental role of a "central counter party" in a payment system as defined under the Payment and Settlement Systems Act, 2007?
(A) It interposes by way of novation between participants, becoming the buyer to every seller and the seller to every buyer
(B) It acts as the primary regulator for all electronic funds transfers and payment systems across the entire country
(C) It functions as a specialized issuer of legal entity identifiers to system participants for regulatory reporting
(D) It provides the underlying financial assets from which various derivatives and securities derive their market value

May/June 2013

29. All of the following are included in the definition of "payment system" except:
(A) Systems enabling credit card operations
(B) Systems enabling smart card operations
(C) A stock exchange
(D) Money transfer operations

Oct/Nov 2021

30. Identify the correct statement regarding the application for authorization to operate a payment system.
(A) The Reserve Bank of India must dispose of every application for authorization within exactly thirty days of filing
(B) Authorization is not required for any foreign company operating in India through a local subsidiary or branch
(C) Once an application is filed, the payment system can commence operations immediately while the approval is pending
(D) No application shall be refused unless the applicant is given a reasonable opportunity of being heard

May/June 2024

31. Match the concepts in List I with their corresponding details in List II.
List I: (Concepts)
P. Legal entity identifier
Q. Netting
R. Public sector banks
S. Electronic funds transfer
List II: (Details)
1. Includes automated teller machine transactions and direct deposits
2. Unique identity code assigned for identifying a person in financial transactions
3. Determination of amount due by setting off payment obligations
4. Includes "corresponding new bank" and "State Bank of India"
(A) P-2, Q-3, R-4, S-1
(B) P-3, Q-2, R-1, S-4
(C) P-1, Q-4, R-3, S-2
(D) P-4, Q-1, R-2, S-3

Oct/Nov 2008

32. Consider the following statements regarding the Reserve Bank of India's powers to issue directions:
I. The RBI can issue directions if a system participant is engaging in an act likely to result in systemic risk being inadequately controlled.
II. The RBI can direct a system participant to cease and desist from a particular course of conduct.
III. The RBI can direct a system participant to perform specific acts to remedy the situation.
Which of the above statements are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2006

33. Match the terms in List I with their definitions in List II.
List I: (Terms)

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any charge on a person making or receiving a payment via prescribed electronic modes
(B) Banks can impose charges on electronic modes of payment prescribed under section 269SU of the Income-tax Act, 1961
(C) Only system providers, but not banks, are prohibited from imposing any charges on the prescribed electronic payments
(D) Charges can be imposed on all electronic transactions if prior written approval is obtained from the Central Government

May/June 2009

21. The primary purpose of the Reserve Bank of India issuing an authorization to a payment system?
(A) To guarantee the financial profits and long-term commercial success of all the system participants
(B) To designate the private system provider as a public sector bank under the Reserve Bank of India Act
(C) To ensure the system operates within standards that mitigate systemic risk in the financial market
(D) To collect authorization fees to fund the operations of the Board for Regulation and Supervision

Oct/Nov 2011

22. The Payments Regulatory Board shall consist of how many persons nominated by the Central Government?
(A) One
(B) Three
(C) Two
(D) Four

May/June 2010

23. Why does the Payment and Settlement Systems Act, 2007 stipulate that a liquidator or receiver cannot re-open any settlement determination that has become final and irrevocable?
(A) Because liquidators are only appointed under the Companies Act and do not have standing under specialized banking laws
(B) Because the Reserve Bank of India assumes all financial liabilities and obligations of an insolvent system participant
(C) To ensure that the Central Government receives all the collaterals and assets held by the insolvent system participant
(D) To mitigate systemic risk by preventing the unwinding of finalized settlements that could affect multiple participants

Oct/Nov 2024

24. When evaluating an application for authorization, the Reserve Bank of India considers several factors. Which of the following is not explicitly mentioned as a consideration?
(A) The technical standards or the design of the proposed payment system
(B) The financial status, experience of management and integrity of the applicant
(C) Monetary and credit policies
(D) The global market capitalization of the applicant company

May/June 2017

25. Identify the incorrect statement regarding the composition of the Payments Regulatory Board.
(A) The Governor of the Reserve Bank of India serves as the Chairperson, ex officio
(B) One officer of the Reserve Bank of India is nominated by the Central Government
(C) The Deputy Governor of the Reserve Bank of India in-charge of the Payment and Settlement Systems serves as a Member, ex officio
(D) Three persons are nominated by the Central Government

Oct/Nov 2005

26. Which of the following defines an "Electronic funds transfer"?
(A) An instrument whose value is derived from a change in the interest rate, credit rating, or other financial benchmarks
(B) Any instrument, authorization, or order in any form to effect a specific payment by a system participant to another
(C) The settlement of securities, foreign exchange, or derivatives which involve various complex payment obligations
(D) Any transfer of funds initiated by a person through electronic means to a bank to debit or credit an account

May/June 2020

27. What is the most appropriate reason the Reserve Bank of India requires a company operating a common retail clearing house system for banks throughout the country to have at least fifty-

NODIA

May/June 2011

39. Consider the following types of transactions:
I. Point of sale transfers
II. Automated teller machine transactions
III. Direct deposits or withdrawal of funds
IV. Transfers initiated by telephone, internet and card payment
Which of the above are included in the definition of "Electronic funds transfer"?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2020

40. Which of the following pairs of Term and its description is correctly matched?
(A) Gross settlement system - Settlement of funds on a bunched or netted basis
(B) System provider - A person designated to dispose of appeals
(C) Derivative - An instrument whose value is fixed and independent of any underlying asset
(D) Trade repository - Engaged in collecting and storing electronic records relating to derivatives

May/June 2022

41. Regarding a central counter party and settlement, consider the following statements:
I. Obligations and settlement instructions shall be determined forthwith by the central counter party.
II. The determination shall be in accordance with the gross or netting procedure approved by RBI.
III. The determination shall be final and irrevocable.
IV. The liquidator shall not re-open any determination that has become final.
V. Collaterals held in excess must be permanently retained by the central counter party.
Which of the above statements are correct?
(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2023

42. Match the authorities/entities in List I with their associated roles in List II.
List I: (Authorities/Entities)
P. Reserve Bank of India
Q. Central Government
R. Payments Regulatory Board
S. Central counter party
List II: (Roles)
1. Disposes of appeals against revocation of authorization
2. Interposes between participants by way of novation
3. Designated authority for the regulation of payment systems
4. Exercises powers and functions on behalf of the Reserve Bank
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-4, R-1, S-2

May/June 2016

43. Consider the following factors:
I. The monetary and credit policies
II. The technical standards or the design of the proposed payment system
III. The profitability projections for the first five years of operation
Which of the above factors does the Reserve Bank of India consider before issuing an authorization for a payment system?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2009

44. Consider the following statements:
I. A bank can impose a minimal charge on a person making a payment by using the electronic modes prescribed under Section 269SU of the Income-tax Act, 1961.
II. The system provider is permitted to levy charges on electronic modes prescribed under Section 269SU of the Income-tax Act, 1961 if approved by the Reserve Bank of India.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II

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P. Payment obligation
Q. System participant
R. Issuer
S. Derivative

List II: (Definitions)

1. An instrument whose value is derived from change in interest rate or credit rating
2. A person who issues a legal entity identifier
3. An indebtedness owned by one system participant to another
4. A bank or any other person participating in a payment system

(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-3, Q-2, R-4, S-1

Oct/Nov 2017

34. Regarding the powers of the Reserve Bank of India to access information and inspect, consider the following statements:

I. RBI may call for returns or documents from any system provider.
II. RBI has the right to access any information relating to the operation of any payment system.
III. Any authorized RBI officer may enter premises where a payment system is operated.
IV. RBI requires prior approval from the Central Government before conducting an inspection.

Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2008

35. Consider the following statements:

I. No person other than the Reserve Bank of India shall operate a payment system without an authorization from the RBI.
II. A company authorized to operate a new retail clearing house system for banks must have at least 51% of its equity held by public sector banks.

Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

NODIA

Oct/Nov 2013

36. Consider the following matters:

I. The powers and functions of the Payments Regulatory Board
II. The format of payment instructions
III. The form and manner for making an authorization application
IV. The intervals at which information or returns shall be furnished
V. The procedure for liquidating a system provider

Which of the above may the regulations formulated by the Reserve Bank of India provide for?
(A) I, II, III, and IV only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2015

37. Arrange the following steps in the correct chronological order when a system provider intends to make a change in the payment system that affects its structure, assuming there are objections from the Reserve Bank of India:

I. System provider forwards comments to the Reserve Bank of India.
II. Reserve Bank of India communicates objections to the system provider.
III. System provider intimates the proposed changes to the Reserve Bank of India.
IV. Proposed changes are effected after receipt of approval.

(A) III, II, I, IV
(B) I, II, III, IV
(C) III, I, II, IV
(D) II, III, I, IV

Oct/Nov 2012

38. Consider the following entities:

I. A post office savings bank
II. A banking company as defined in the Banking Regulation Act, 1949
III. A foreign non-banking financial company

Which of the above entities are expressly included in the definition of "Bank" under the Payment and Settlement Systems Act, 2007?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

64. (A) Seize equivalent value situated within India of the foreign immovable property
Under Section 37A, if a person acquires foreign exchange or property abroad in violation of the Act and the amount exceeds a prescribed threshold, the authorities can take action within India. Specifically, an Authorized Officer can pass an order to seize domestic assets of the person that are equivalent in value to the illegally held foreign assets. This ensures domestic accountability.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A)
FEMA was enacted specifically to replace FERA. The primary reason for this change was the realization that FERA's restrictive and conservation-focused approach was no longer suitable for India's evolving economy. FEMA goal is to manage rather than strictly regulate foreign exchange, facilitating trade and payments to promote economic development, which better aligns with modern national financial needs.

66. (B) No, unless Beta Ltd. is an authorized person or has specific RBI permission
Section 3 of the Act strictly prohibits any person from dealing in or transferring foreign exchange to anyone other than an authorized person. For a company like Beta Ltd. to legally handle these transactions, it must either be designated as an authorized person by the Reserve Bank of India or obtain specific permission. Without such status, the transaction constitutes a contravention.

67. (C) Failing to repatriate the export proceeds to India
The Act mandates that exporters must repatriate the proceeds from their exports to India within a specified time. Holding these proceeds permanently in a foreign bank account to fund future offshore expenses, without bringing them back into the Indian banking system, is a direct violation of this requirement. This rule ensures that foreign exchange earnings contribute to national reserves.

68. (D) Assertion (A) is false, but Reason (R) is true
The assertion is incorrect because appeals from the Appellate Tribunal do not go directly to the Supreme Court; they go to the High Court. The reason is true, as the High Court's jurisdiction over these appeals is limited to questions of law. The correct hierarchy involves moving from the Tribunal to the High Court before reaching the Supreme Court.

69. (D) Yes, subject to conditions, any police officer can be authorized by the government
The Central Government has the power to authorize officers from other departments to assist in the enforcement of the Act. This includes any officer of the Customs, Central Excise, or even a police officer. Such authorization is subject to specific conditions and limitations imposed by the government to ensure that the powers are exercised appropriately within the specialized framework.

70. (C) If Mr. Gupta discloses the asset and brings the foreign exchange back to India
Section 37A provides a remedial path for individuals whose domestic assets have been seized due to illegal foreign holdings. If the person makes a full disclosure of the foreign assets and successfully repatriates the equivalent foreign exchange back to India, the Adjudicating Authority has the power to set aside the seizure order. This encourages compliance and the return of funds.

71. (D) Assertion (A) is false, but Reason (R) is true
The assertion is false because remittances for living expenses of relatives abroad are classified as current account transactions, not capital account transactions. However, the reason provided is a correct definition of capital account transactions, which are indeed defined by their ability to alter assets or liabilities. The error lies in the initial classification of the specific remittance type described.

72. (D) Current account transaction
Remittances made for the purpose of medical care or living expenses of relatives are considered current account transactions under the Act. Since these payments do not involve the creation of long-term assets or liabilities, they fall under the category of normal recurring expenses. This classification means they are generally subject to more liberalized rules compared to capital account investments.

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(D) Neither I nor II

May/June 2023

45. Consider the following individuals/entities:
I. The Governor of the Reserve Bank of India
II. The Deputy Governor of the Reserve Bank of India in-charge of Payment and Settlement Systems
III. One officer of the Reserve Bank of India nominated by the Central Board
IV. Three persons nominated by the Central Government
V. One representative from the Ministry of Finance
Which of the above constitute the Payments Regulatory Board?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2018

46. Arrange the following events regarding the revocation of authorization and appeal in the correct chronological order:
I. Central Government endeavors to dispose of the appeal within three months.
II. Reserve Bank of India revokes the authorization.
III. Aggrieved service provider files an appeal to the Central Government.
IV. The order of revocation is communicated to the service provider.
(A) II, III, IV, I
(B) II, IV, III, I
(C) IV, II, III, I
(D) III, IV, II, I

May/June 2007

47. Consider the following items:
I. Security for the proper conduct of the payment system
II. The technical standards of the proposed system
III. The terms and conditions governing relationship with consumers
IV. The procedure for netting of payment instructions
Which of the above may the Reserve Bank of India require an applicant for authorization to furnish?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2025

48. Which of the following pairs of Section and its subject matter is correctly matched?
(A) Section 10A - Refusal of Authorization
(B) Section 14 - Power to enter premises and inspect equipment
(C) Section 7 - Settlement and Netting
(D) Section 11 - Power of RBI to make regulations

May/June 2012

49. Regarding the laying of regulations before Parliament, consider the following statements:
I. Every regulation shall be forwarded to the Central Government to be laid before each House of Parliament.
II. The regulation must be laid for a total period of thirty days.
III. If both Houses agree to modify the regulation, it will have effect only in such modified form.
Which of the above statements are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2014

50. Consider the following statements regarding the Payments Regulatory Board:
I. The Governor of the Reserve Bank of India serves as the ex officio Chairperson of the Board.
II. The Central Board of the Reserve Bank of India nominates three officers to serve as members of the Board.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2019

51. Consider the following evaluation criteria:
I. The need for the proposed payment system
II. The manner in which transfer of funds may be effected
III. The financial status of the applicant
IV. Interests of consumers

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transactions and the total liquidity required to finalize the settlement cycle effectively.

17. (A) The specific hardware brands that must be purchased by system providers
The Reserve Bank has the power to make regulations regarding the standards, formats, and procedures of payment systems. This includes determining the form of payment instructions and the intervals for furnishing information. However, regulatory powers do not extend to mandating specific commercial brands of hardware that a provider must purchase, as this falls outside the scope of technical standards.

18. (A) Three months
When a system provider appeals against the revocation of their authorization, the Central Government is the deciding authority. The law stipulates that the Central Government should endeavor to dispose of such an appeal within a period of three months. This timeframe is intended to provide a relatively quick resolution to disputes regarding the regulatory status of a payment system.

19. (D) If the Reserve Bank of India objects to a proposed change, the system provider has three months to forward his comments
System providers must obtain prior approval for structural changes and give thirty days' notice to participants. While the Reserve Bank can permit changes without notice for monetary policy reasons, the timeline for responding to objections is strictly defined. The provider must forward comments within fifteen days of receiving objections, not three months, making the longer period an incorrect statement.

20. (A) No bank or system provider shall impose any charge on a person making or receiving a payment via prescribed electronic modes
To promote digital payments, the law prohibits banks and system providers from imposing any charges on persons making or receiving payments through specific electronic modes. These modes are those prescribed under the Income-tax Act. This provision ensures that electronic transactions remain cost-effective for users, encouraging the adoption of digital financial services across the Indian economy without additional fees.

21. (C) To ensure the system operates within standards that mitigate systemic risk in the financial market
The authorization process conducted by the Reserve Bank of India is designed to ensure that every payment system adheres to rigorous safety and efficiency standards. By regulating these systems, the Reserve Bank aims to mitigate systemic risks that could potentially destabilize the financial market. Authorization ensures that providers have the technical and financial capacity to manage payment obligations securely.

NODIA

22. (B) Three
The Payments Regulatory Board, which assists the Reserve Bank in its supervisory duties, has a specific composition. Alongside the Chairperson and other ex officio members, the Board includes three persons nominated by the Central Government. These nominations ensure that the Board has a diverse range of expertise and representation when making critical decisions regarding the regulation of payment systems.

23. (D) To mitigate systemic risk by preventing the unwinding of finalized settlements that could affect multiple participants
Settlements that have reached finality and irrevocability are legally protected from being reopened by a liquidator. This protection is crucial for maintaining financial stability. If finalized settlements were unwound due to a single participant's insolvency, it could lead to a domino effect of failures across the entire payment network. Therefore, finality is preserved to prevent such systemic contagion.

24. (D) The global market capitalization of the applicant company
When assessing an application for authorization, the Reserve Bank considers the applicant's financial status, management integrity, and technical standards. It also evaluates the need for the system and the impact on monetary policy. However, the global market capitalization of an applicant company is not an explicitly mentioned criterion for determining whether to grant authorization under the existing regulatory framework.

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May/June 2018

57. Consider the following instruments:
I. Interest rate swaps
II. Forward rate agreements
III. Foreign currency swaps
IV. Foreign currency rupee options
V. Real estate investment trusts
Which of the above instruments are explicitly listed under the definition of "derivative" in the Payment and Settlement Systems Act, 2007?
(A) I, II, III, and IV only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2016

58. Which of the following pairs is incorrectly matched?
(A) Revocation of authorization - Appealable to the Supreme Court
(B) Authorization to operate payment system - Issued by the Reserve Bank
(C) Payments Regulatory Board - Consists of the Governor and Deputy Governor of RBI
(D) Electronic funds transfer - Includes point of sale transfers

May/June 2014

59. Consider the following statements regarding changes in a payment system:
I. No system provider can cause a structural change without prior RBI approval.
II. Notice of not less than thirty days must be given to system participants after RBI approval.
III. RBI can permit changes without notice in the interest of monetary policy.
IV. If RBI objects to the change, it communicates this within 30 days.
Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2007

60. Consider the following statements:
I. The settlement effected under an approved procedure for distribution of losses among system participants shall be final and irrevocable.
II. An order of a court declaring a system participant insolvent instantly nullifies any settlement that became final prior to the order.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2025

61. XYZ Holdings Ltd has a subsidiary, XYZ Retail Pvt Ltd. XYZ Retail transfers funds exclusively to its parent company, XYZ Holdings Ltd, using an internal proprietary software system. Does this internal system require authorization from the Reserve Bank of India?
(A) Yes, because all electronic funds transfers require authorization regardless of the parties involved
(B) Yes, unless the software system was developed outside India and meets international technical standards
(C) No, because a company accepting payments from its subsidiary is exempt from authorization requirements
(D) No, because holding companies are considered public sector entities under the Payment and Settlement Act

Oct/Nov 2019

62. The Reserve Bank of India formulates a new regulation specifying the format of payment instructions. To ensure oversight as mandated by the Payment and Settlement Systems Act, 2007, what procedural step must follow the making of this regulation?
(A) It must be forwarded to the Central Government and laid before each House of Parliament for thirty days
(B) It must be approved by the United Nations and the International Monetary Fund before it becomes enforceable
(C) It must be published in three local newspapers for six consecutive months to ensure widespread public awareness
(D) It must be signed by all chairpersons of public sector banks and submitted to the Ministry of Finance

May/June 2009

63. The following question consists of two statements — Assertion (A) and Reason (R).

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V. The political affiliations of the company's directors

Which of the above are evaluated by the Reserve Bank of India when considering an application for authorization?

(A) I, II, III, and IV only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2006

52. Match the timelines in List I with the corresponding events in List II.

List I: (Timelines)

P. Six months
Q. Thirty days
R. Fifteen days
S. Three months

List II: (Events)

1. Timeframe for a system provider to forward comments on objections received from the Reserve Bank
2. Grace period for existing payment systems to operate without authorization upon Act's commencement
3. Endeavor period for Central Government to dispose of an appeal
4. Minimum notice period to system participants for changes in the system

(A) P-2, Q-4, R-1, S-3
(B) P-4, Q-2, R-3, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

May/June 2021

53. Which of the following timeline pairs is incorrectly matched?

(A) Filing an appeal against revocation - Within 30 days
(B) RBI processing an application for authorization - Endeavor to dispose within 6 months
(C) System provider forwarding comments on RBI's objection - Within 30 days
(D) Laying regulations before Parliament - Total period of 30 days

Oct/Nov 2010

54. Consider the following statements concerning settlement and netting:

I. Any settlement that has become final and irrevocable prior to an order of insolvency.
II. The right of the system provider to appropriate collaterals contributed by the participant.
III. Any settlement that has become final and irrevocable immediately after the order.
IV. The liquidator's authority to re-open any prior final settlement.

Which of the above are not affected by an order declaring a system participant insolvent?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2005

55. Consider the following entities:

I. A person acting as the duly appointed agent of another person to whom the payment is due
II. A company accepting payments from its holding company
III. A public sector bank operating a domestic card network

For which of the above do the provisions requiring authorization to operate a payment system not apply?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2022

56. Match the Sections of the Payment and Settlement Systems Act, 2007 in List I with their respective provisions in List II.

List I: (Sections)

P. Section 4
Q. Section 11
R. Section 23
S. Section 38

List II: (Provisions)

1. Power of RBI to make regulations
2. Settlement and Netting
3. Requirement of authorization to operate a payment system
4. Changes in the payment system

(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-2, R-4, S-1

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provider's right to appropriate collaterals remains unaffected by an insolvency order.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2020

69. Nexus Corporation operates an electronic payment system and has submitted an application for authorization. The Reserve Bank of India considers the application complete but notes that the applicant has a history of poor management integrity and unstable financial status. Under the Payment and Settlement Systems Act, 2007, what is the likely outcome?

(A) The application must be approved because only the technical standards of the payment system matter
(B) The application must be forwarded to the Central Government for a final decision on management integrity
(C) The Reserve Bank of India will automatically take over the management of Nexus Corporation to ensure stability
(D) The application may be refused after giving the applicant a reasonable opportunity of being heard

Oct/Nov 2015

70. A retail bank introduces a flat fee of ₹5 for every transaction made by its customers using electronic modes prescribed under Section 269SU of the Income-tax Act, 1961. Based on the Payment and Settlement Systems Act, 2007, what is the regulatory standing of this fee?

(A) The fee is completely legal as banks have the autonomy to price their services to maintain profitability
(B) The fee is legal provided the bank shares a portion of the revenue with the Reserve Bank of India annually
(C) The fee is illegal as no bank or system provider shall impose any charge on such prescribed electronic modes
(D) The fee is illegal only if it exceeds a specific threshold set by the Central Government each financial year

May/June 2013

71. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option.

Assertion (A): A central counter party interposes between system participants in the transactions admitted for settlement.

Reason (R): It does so by way of novation, thereby becoming the buyer to every seller and the seller to every buyer for the purpose of effecting settlement.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2021

72. Alpha Payments Network, an authorized system provider, decides to fundamentally alter the technical architecture of its settlement engine. What is the mandatory procedural requirement before this change can be implemented?

(A) Alpha only needs to inform its shareholders at the next Annual General Meeting
(B) Alpha can implement the change instantly and submit a post-facto report to the Payments Regulatory Board
(C) Alpha must obtain a specific clearance from the Ministry of Finance
(D) Alpha must obtain prior approval of the Reserve Bank of India and give not less than thirty days' notice to system participants

May/June 2024

73. A system provider utilizes a process where all payment instructions are accumulated over a specific period. At the end of the period, the claims and obligations are adjusted among participants so that only a single net claim is demanded or a net obligation is owned by each participant. What is this specific process termed under the Payment and Settlement Systems Act, 2007?

(A) Gross settlement
(B) Netting
(C) Novation
(D) Trade collation

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Oct/Nov 2008

74. The Reserve Bank of India is of the opinion that a system participant is engaging in an act that is likely to result in systemic risk. The Reserve Bank issues a written direction to the participant to cease the act. What is the participant's obligation?

(A) The participant can ignore the direction if it significantly affects their operational profit margins

(B) The participant may request a public hearing before the Parliament of India before complying with directions

(C) The participant has an automatic grace period of six months to comply with any new regulatory directions

(D) The participant must comply with the direction without delay and furnish a report within the allowed time

May/June 2006

75. ABC FinTech Corp intends to launch a new mobile application that allows users to transfer money to merchants via QR codes, acting as a money transfer operation. Based on the provisions of the Payment and Settlement Systems Act, 2007, what is the mandatory regulatory requirement ABC FinTech Corp must fulfill before commencing operations?

(A) It must obtain an authorization issued by the Reserve Bank of India

(B) It must apply to the Central Government for a special exemption

(C) It must partner with a foreign bank to bypass domestic regulations

(D) It can commence operations immediately and notify the Reserve Bank within six months

Oct/Nov 2017

76. The Reserve Bank of India receives information that Delta Payment Gateway is operating with severely compromised cybersecurity equipment, potentially violating its authorization conditions. To ensure compliance, an authorized officer of the Reserve Bank of India intends to visit Delta's premises. What powers does the officer possess?

(A) The officer can only observe the premises from the outside but cannot inspect any equipment or digital systems

(B) The officer must obtain a search warrant from a local magistrate before entering any private business premises

(C) The officer can seal the premises permanently on the first visit without any prior notice or opportunity to be heard

(D) The officer may enter premises, inspect equipment, and call upon employees to furnish required information

May/June 2008

77. An instrument is designed such that it will be settled at a future date, and its underlying value is strictly derived from a specified credit index. Under the Payment and Settlement Systems Act, 2007, how is this instrument classified?

(A) As an Electronic funds transfer

(B) As a Gross settlement system

(C) As a Derivative

(D) As a Legal entity identifier

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Oct/Nov 2013

78. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option.

Assertion (A): No system provider can impose charges directly or indirectly upon a person making a payment using electronic modes prescribed under section 269SU of the Income-tax Act, 1961.

Reason (R): The Payment and Settlement Systems Act, 2007 expressly prohibits banks and system providers from imposing such charges.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2015

79. Gamma Bank is a participant in a net settlement system. On Tuesday at 2 PM, Gamma Bank is declared insolvent by a Tribunal. By that time, the morning settlement cycle had already become final and irrevocable. The appointed liquidator demands that the morning settlement be unwound to recover funds for creditors. Under the Payment and Settlement Systems Act, 2007, how should this demand be treated?

(A) The liquidator can legally reopen the

settlement because the Companies Act supersedes the Payment and Settlement Systems Act

(B) The demand is invalid as insolvency shall not affect any settlement that has become final and irrevocable

(C) The settlement can be unwound only if the Reserve Bank of India provides explicit written consent to the official liquidator

(D) The central counter party must refund the liquidator directly from its own capital reserves or the security deposits of others

Oct/Nov 2012

80. A central counter party (CCP) holds collaterals provided by Sigma Bank towards its settlement obligations. Sigma Bank defaults and goes into liquidation. The liquidator claims all of Sigma's assets, including the collaterals held by the CCP. According to the Payment and Settlement Systems Act, 2007, what is the right of the CCP?

(A) The CCP can appropriate the collaterals towards the settlement obligations and return the excess to the liquidator

(B) The CCP must return all collaterals to the official liquidator immediately upon the declaration of insolvency

(C) The CCP must auction the collaterals and surrender the proceeds to the Reserve Bank of India's general fund

(D) The CCP loses all rights to the collaterals as insolvency proceedings take absolute priority over other claims

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Answer this question selecting the appropriate option.
Assertion (A): Every application for authorization to operate a payment system must be strictly disposed of by the Reserve Bank of India within exactly thirty days.
Reason (R): The Payment and Settlement Systems Act, 2007 emphasizes rapid deployment of financial technologies to boost the economy.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2011

64. The Reserve Bank of India revokes the authorization of Omega Card Services due to persistent non-compliance. Omega Card Services feels the revocation is unjustified. To which authority, and within what time period, can Omega appeal the revocation?
(A) To the Central Government within thirty days from the date the order is communicated
(B) To the Supreme Court of India within sixty days of the issuance of the revocation order
(C) To the High Court within forty-five days of the communication of the formal decision
(D) To the Payments Regulatory Board within fifteen days of receiving the revocation notice

May/June 2010

65. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option.
Assertion (A): A settlement effected under the approved procedure of a payment system shall be final and irrevocable, even if a system participant is declared insolvent.
Reason (R): This ensures that the insolvency of one participant does not trigger systemic risk by unwinding completed settlements across the payment system.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2024

66. A consortium of private sector banks wishes to establish a common retail clearing house system for banks throughout the country. They apply to the Reserve Bank of India for authorization. What condition must be met regarding equity ownership?
(A) Not less than fifty-one per cent of the equity must be held by foreign institutional investors
(B) Not less than fifty-one per cent of the equity must be held by public sector banks
(C) The entire equity must be held by the Reserve Bank of India
(D) There are no equity restrictions as long as technical standards are met

May/June 2017

67. Suppose the Reserve Bank of India receives an intimation from Beta Clearing Services about a proposed structural change. The Reserve Bank finds the change too risky and formally objects. Within what timeframe must Beta Clearing Services forward its comments regarding the objection back to the Reserve Bank of India?
(A) Within one week of the receipt of the objections
(B) Within thirty days of the receipt of the objections
(C) Within fifteen days of the receipt of the objections
(D) Within six months of the receipt of the objections

Oct/Nov 2005

68. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option.
Assertion (A): The right of the system provider to appropriate collaterals contributed by participants towards settlement is suspended if an insolvency order is passed against a participant.
Reason (R): The Payment and Settlement Systems Act, 2007 provides that the system

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payment system is operated. They are empowered to inspect equipment, computer systems, and records, and can require employees to furnish information necessary for the supervision of the payment system.

9. (B) A company accepting payments from its holding company or any of its subsidiary companies
Certain internal financial arrangements are exempt from the mandatory authorization required to operate a payment system. This exemption specifically applies when a company accepts payments from its holding company or any of its own subsidiary companies. Such intra-group transactions do not fall under the standard regulatory requirement for external payment system authorization by the Reserve Bank of India.

10. (C) Net settlement offsets multiple transactions to transfer only the differential, while gross settlement settles individually
The distinction between these systems lies in how obligations are calculated. Net settlement involves adjusting or setting off payment instructions among participants to determine the final differential amount due. In contrast, gross settlement processes every transaction individually and sequentially. Netting reduces the total volume of transfers required, while gross settlement ensures each transaction is finalized independently and immediately.

11. (D) The system provider can appropriate collaterals contributed by the participant towards its settlement
In cases where a system participant is declared insolvent, the system provider retains specific rights to protect the settlement process. The provider is legally entitled to appropriate any collaterals contributed by the insolvent participant. These assets are used to meet the participant's outstanding settlement obligations, ensuring that the insolvency does not disrupt the finality of the overall system.

12. (C) August 12, 2008
The Payment and Settlement Systems Act, 2007, was enacted to provide for the regulation and supervision of payment systems in India. While the Act was passed in 2007, it officially came into effect on August 12, 2008. This commencement date established the formal legal framework and empowered the Reserve Bank of India to regulate various payment mechanisms nationwide.

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13. (A) The existing payment system can operate without authorization for an indefinite period
At the commencement of the Act, existing payment systems were granted a transitional period of six months to continue operations. Within this timeframe, providers were required to apply for authorization from the Reserve Bank of India. Continued operation beyond this period is only permitted if authorization is obtained, or if an application has been filed and is currently under consideration.

14. (C) It includes a co-operative bank as defined in the Banking Regulation Act, 1949
The definition of a bank under the Payment and Settlement Systems Act is broad and inclusive. It encompasses banking companies, the State Bank of India, and corresponding new banks. Importantly, it explicitly includes co-operative banks as defined in the Banking Regulation Act. This ensures that all major types of banking institutions involved in payment systems are covered by the regulatory framework.

15. (D) The Reserve Bank communicates objections, and the provider must forward comments within fifteen days
If a system provider intends to make structural changes and the Reserve Bank of India has objections, a specific communication process follows. The Reserve Bank must communicate its objections to the provider. Upon receiving these objections, the system provider is required to forward its comments back to the Reserve Bank within fifteen days for further consideration and final resolution.

16. (A) The determination of net obligations by setting off or adjusting the payment instructions among system participants
Netting refers to the process of calculating net obligations by adjusting or setting off various payment instructions between participants. This includes instructions involving funds, securities, or foreign exchange. By determining the net amount due to or from each participant, the system reduces the overall number of

ANSWERS

1. (D) Within thirty days from the date on which the order is communicated
Under the Payment and Settlement Systems Act, any person whose authorization has been revoked by the Reserve Bank of India has the legal right to seek redress. This specific appeal must be formally submitted to the Central Government within thirty days of the communication of the order. This ensures a fair administrative review of the regulatory decision.

2. (C) A person to whom a direction has been issued can delay compliance if they file a written objection within two weeks
The Reserve Bank of India holds broad powers to regulate participants in the financial system to maintain stability. While participants must comply with specific directions to cease or perform acts, the legislation does not grant an automatic right to delay compliance by filing written objections within a two-week window. Compliance is generally required without delay to manage systemic risks.

3. (C) A person engaged in the business of maintaining and processing electronic records or data relating to financial transactions
A trade repository is defined as an entity that manages the business of maintaining and processing electronic records or data regarding financial transactions. This includes information related to derivatives and other specific instruments. Such entities play a crucial role in providing transparency and data for regulatory supervision within the payment and settlement systems framework in India.

4. (D) All of the above
The legal framework ensures the finality of settlements to prevent systemic instability. Therefore, any settlement that is final and irrevocable under the approved procedure remains protected against insolvency orders. This protection applies across various statutes, including the Banking Regulation Act, the Companies Act, and the Insolvency and Bankruptcy Code, ensuring that finalized transactions are not subsequently unwound.

5. (B) Through a Board known as the Payments Regulatory Board
The Reserve Bank of India functions as the designated authority for supervising payment systems. It exercises its regulatory powers through a specialized body known as the Payments Regulatory Board. This Board is responsible for the regulation and supervision of payment systems, ensuring they operate safely and efficiently while maintaining the overall integrity of the country's financial infrastructure.

6. (B) The regulation shall thereafter be of no effect, without prejudice to the validity of anything previously done under it
Regulations made by the Reserve Bank are subject to parliamentary oversight. If both Houses of Parliament agree that a regulation should be modified or not made, the regulation will subsequently be of no effect or take effect only in its modified form. However, this does not invalidate any actions previously taken under the regulation before the parliamentary decision.

7. (B) A payment system where each settlement occurs individually and sequentially on a transaction-by-transaction basis
A gross settlement system is a type of payment framework where individual transactions are settled one by one. Unlike netting systems, settlements in this framework occur sequentially and individually on a transaction-by-transaction basis. This method is often used for high-value transfers where the immediate and final settlement of each specific instruction is necessary to minimize financial risks.

8. (B) Any authorized officer of the Reserve Bank may enter premises and inspect any equipment, including computer systems
To ensure compliance with regulatory standards, the Reserve Bank of India possesses extensive inspection powers. Any officer authorized by the Reserve Bank can enter the premises where a

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25. (B) One officer of the Reserve Bank of India is nominated by the Central Government
The Payments Regulatory Board includes the Governor as Chairperson and the Deputy Governor in charge of payment systems. It also includes three persons nominated by the Central Government. However, the specific officer of the Reserve Bank who serves on the Board is nominated by the Central Board of the Reserve Bank itself, rather than by the Central Government directly.

26. (D) Any transfer of funds initiated by a person through electronic means to a bank to debit or credit an account
Electronic funds transfer involves any transfer of funds initiated through electronic means, such as computers, telephones, or magnetic tapes. This process instructs a bank to either debit or credit a specific account. Examples include point-of-sale transfers, automated teller machine transactions, and direct deposits, all of which rely on electronic signals rather than paper instruments to move money.

27. (A) To ensure that public sector banks have a controlling stake in critical nationwide retail clearing infrastructure
For payment systems that provide common retail clearing services for banks across the country, the Reserve Bank requires that at least fifty-one per cent of the equity be held by public sector banks. This requirement ensures that critical national financial infrastructure remains under the majority control of public institutions, which helps maintain stability, public trust, and regulatory alignment.

28. (A) It interposes by way of novation between participants, becoming the buyer to every seller and the seller to every buyer
A central counter party serves as a vital intermediary in financial transactions. It interposes itself between system participants through a process called novation. By doing so, it effectively becomes the buyer to every seller and the seller to every buyer. This role is essential for ensuring the fulfillment of contracts and reducing the counterparty risk for all involved participants.

29. (C) Stock exchange
The definition of a payment system includes mechanisms enabling credit cards, smart cards, and money transfer operations. However, the Payment and Settlement Systems Act specifically excludes stock exchanges from this definition. While stock exchanges facilitate trading, they are governed by different sets of regulations and do not fall under the primary definition of a payment system under this Act.

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30. (D) No application shall be refused unless the applicant is given a reasonable opportunity of being heard
The Reserve Bank must follow due process when handling applications for authorization. While the bank aims to process applications efficiently, it cannot refuse an application without granting the applicant a fair opportunity to present their case. This requirement for a reasonable hearing ensures administrative fairness and transparency in the regulatory process for companies wishing to operate payment systems in India.

31. (A) P-2, Q-3, R-4, S-1
Legal entity identifiers are unique codes for identification in financial transactions. Netting involves determining amounts due by setting off payment obligations. Public sector banks include the State Bank of India and corresponding new banks. Finally, electronic funds transfers encompass various modern transaction types like automated teller machine transfers and direct deposits, which are all correctly mapped to their respective definitions.

32. (D) I, II, and III
The Reserve Bank of India possesses comprehensive powers to issue directions to system participants. These powers include issuing directions when systemic risk is inadequately controlled, ordering a participant to cease and desist from specific conduct, and requiring the performance of remedial acts. These measures are designed to maintain the stability and integrity of the overall payment and settlement environment.

33. (A) P-3, Q-4, R-2, S-1
A payment obligation represents the indebtedness of one participant to another. A system participant is a bank or person engaged in the payment system. An issuer is the person

who issues a legal entity identifier code. Lastly, a derivative is an instrument whose value depends on underlying changes like interest rates or credit ratings, which matches the provided mapping.

34. (A) I, II, and III only
The Reserve Bank of India has the authority to call for returns, access any information regarding system operations, and authorize officers to enter and inspect premises. However, the Act does not require the Reserve Bank to obtain prior approval from the Central Government before conducting these inspections. Therefore, the Reserve Bank can act independently to ensure the supervision of payment systems.

35. (C) Both I and II
Authorization from the Reserve Bank is mandatory for any person, other than the RBI, to operate a payment system. Additionally, specific rules apply to national clearing houses for retail operations, requiring that public sector banks hold at least fifty-one per cent of the equity. Both requirements are fundamental components of the regulatory framework designed to ensure secure and institutionalized payment systems.

36. (A) I, II, III, and IV only
Regulations made by the Reserve Bank can cover the board's functions, the format of payment instructions, application procedures for authorization, and the reporting intervals for information. However, the procedure for liquidating a system provider is governed by general insolvency and company laws rather than by the specific regulations formulated under the Payment and Settlement Systems Act for operational matters.

37. (A) III, II, I, IV
When a system provider wants to change its structure, it must first intimate the proposed changes to the Reserve Bank. If there are objections, the Reserve Bank communicates them to the provider. The provider then forwards its comments regarding those objections. Finally, once approval is received, the changes can be officially effected, following the correct chronological sequence for regulatory compliance.

38. (A) I and II only
Under the Payment and Settlement Systems Act, the term "bank" specifically includes banking companies as defined by the Banking Regulation Act and post office savings banks. It also includes co-operative banks and the State Bank of India. However, foreign non-banking financial companies are not included in this particular definition, as they do not fall under the statutory category of a bank.

39. (D) I, II, III, and IV
Electronic funds transfers are defined broadly to include various transaction methods. This includes point-of-sale transfers, automated teller machine transactions, and the direct deposit or withdrawal of funds. Additionally, transfers initiated via telephone, internet, and card payments are all considered electronic funds transfers. This comprehensive definition ensures that all modern electronic payment methods are regulated under the same framework.

40. (D) Trade repository - Engaged in collecting and storing electronic records relating to derivatives
A trade repository is accurately described as an entity engaged in the business of maintaining and processing electronic records or data relating to financial transactions, particularly derivatives. This differs from gross settlement systems, which process transactions individually, and system providers, who operate payment systems. Derivatives are instruments with variable values, making the trade repository the only correctly matched pair in this context.

41. (A) I, II, III, and IV only
Central counter parties determine obligations through approved procedures, ensuring that settlements are final and irrevocable. Once finalized, these determinations cannot be reopened by a liquidator, protecting the system from insolvency risks. However, there is no requirement to permanently retain excess collaterals; instead, any excess held after settling obligations must generally be returned to the participant or their legal representative.

42. (A) P-3, Q-1, R-4, S-2
The Reserve Bank of India is the primary regulatory authority for payment systems. The Central Government is responsible for disposing

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of appeals against revoked authorizations. The Payments Regulatory Board exercises delegated functions on behalf of the Reserve Bank. Finally, the central counter party interposes between participants via novation, correctly aligning each entity with its specific role under the Act.

43. (A) I and II only
Before issuing an authorization, the Reserve Bank examines the technical standards and design of the proposed payment system. It also considers how the system aligns with broader monetary and credit policies. While financial status is important, the Act does not specifically require the Reserve Bank to evaluate detailed five-year profitability projections as a primary factor for granting the initial authorization.

44. (D) Neither I nor II
The law clearly prohibits any bank or system provider from imposing any charges on persons making or receiving payments through prescribed electronic modes. This prohibition is absolute and does not allow for "minimal charges" or "approved levies" on transactions conducted via electronic modes specified under the Income-tax Act. Therefore, both statements suggesting that such charges could be legal are incorrect.

45. (A) I, II, III, and IV only
The Payments Regulatory Board consists of the Governor of the Reserve Bank, the Deputy Governor in charge of payment systems, and an officer of the Reserve Bank nominated by its Central Board. Additionally, three persons are nominated by the Central Government. A representative specifically from the Ministry of Finance is not listed as a standard member of this particular Board.

46. (B) II, IV, III, I
The process begins when the Reserve Bank revokes an authorization. This order is then communicated to the service provider. If the provider is aggrieved, they file an appeal with the Central Government within the thirty-day limit. Finally, the Central Government endeavors to resolve and dispose of that appeal within the following three months, completing the correct chronological regulatory sequence.

47. (D) I, II, III, and IV
During the authorization process, the Reserve Bank may require extensive documentation from an applicant. This includes information on the technical standards, netting procedures, and the terms governing consumer relationships. Furthermore, the Reserve Bank can ask for security to ensure the proper conduct of the payment system. All these items are necessary to evaluate the safety and reliability of the proposed service.

48. (B) Section 14 - Power to enter premises and inspect equipment
Section 14 of the Payment and Settlement Systems Act specifically grants the Reserve Bank the power to enter premises and inspect equipment used for operating a payment system. This is a key supervisory power. Other sections mentioned, such as those for netting or regulations, are associated with different numeric labels in the Act, making Section 14 the correctly matched pair.

49. (D) I, II, III
All regulations created by the Reserve Bank must be laid before each House of Parliament for a total period of thirty days. This ensures legislative oversight, as both Houses have the power to modify or annul the regulations. If both Houses agree on a change, the regulation will only have effect in its modified form, providing a robust check on regulatory authority.

50. (A) Only I
The Governor of the Reserve Bank of India serves as the ex officio Chairperson of the Payments Regulatory Board. While there are other members, the statement regarding the Central Board nominating three officers is incorrect. In fact, the Central Board nominates only one officer of the Reserve Bank, while the other three members are nominated directly by the Central Government.

51. (A) I, II, III, and IV only
The Reserve Bank evaluates several criteria for authorization, including the need for the system, fund transfer methods, the applicant's financial status, and the interests of consumers. These factors ensure the system is necessary and safe. Political affiliations of directors are not a

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CHAPTER 12

Law Relating to Securities and Modes of Charge - I

Oct/Nov 2018

1. Match the term in List-I with its definition in List-II:

List I: (Term)

P. Mortgagor

Q. Mortgagee

R. Mortgage money

S. Mortgage deed

List II: (Definition)

1. The instrument by which the transfer is effected
2. The transferee
3. The transferor
4. The principal money and interest whose payment is secured

(A) P-2, Q-3, R-1, S-4

(B) P-3, Q-4, R-2, S-1

(C) P-2, Q-4, R-3, S-1

(D) P-3, Q-2, R-4, S-1

May/June 2023

2. Identify the incorrect statement pertaining to a usufructuary mortgage.

(A) The mortgagee has the absolute right to receive the rents and profits accruing from the property throughout the mortgage term.

(B) There is no specified time limit for the repayment of the mortgage money in the original contract between the parties.

(C) The mortgagee can sue the mortgagor for the sale of the property if the debt remains unpaid.

(D) The mortgagor incurs no personal liability for the repayment of the mortgage debt regardless of the total value of the security.

Oct/Nov 2014

3. How does the Transfer of Property Act define a 'mortgage'?

(A) The transfer of absolute ownership in specific immoveable property through a registered deed to secure a debt

(B) The pledge of moveable and immoveable assets including machinery to guarantee the performance of an engagement

(C) The transfer of interest in specific immoveable property to secure payment of money

(D) The delivery of legal possession of property to secure an existing or future debt including interest

May/June 2007

4. Which of the following pairs is correctly matched regarding the remedy available to the mortgagee?

(A) Simple Mortgage – Foreclosure

(B) Mortgage by conditional sale – Sale of property

(C) English Mortgage – Decree for sale

(D) Usufructuary Mortgage – Personal covenant to sue

Oct/Nov 2025

5. Consider the following statements about a simple mortgage:

I. The mortgagee has the right to get payments out of the rents and produce of the mortgaged property.

II. Registration of a simple mortgage is mandatory if the principal amount secured is Rs. 100 and above.

Which of the above statement(s) is/are correct?

(A) Only I

(B) Only II

(C) Both I and II

(D) Neither I nor II

May/June 2012

6. Read the following scenario and answer the question:

XYZ Corporation secures a large term loan by transferring its office building absolutely to the lending bank, with a formal provision that

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61. (C) No, because a company accepting payments from its subsidiary is exempt from authorization requirements
Under the Payment and Settlement Systems Act, certain internal payment arrangements are specifically excluded from the requirement of obtaining authorization from the Reserve Bank of India. This exclusion applies when a company accepts payments from its own subsidiary or holding company. Since XYZ Retail is a subsidiary transferring funds to its parent, the internal system does not require formal regulatory authorization.

62. (A) It must be forwarded to the Central Government and laid before each House of Parliament for thirty days
After the Reserve Bank of India formulates a regulation, it must follow a mandatory parliamentary procedure. The regulation is forwarded to the Central Government, which then lays it before both Houses of Parliament. It must remain before Parliament for a total period of thirty days to allow for legislative review, modification, or potential annulment by the elected representatives of the people.

63. (D) Assertion (A) is false, but Reason (R) is true
While the Act encourages efficient financial technology, it does not mandate that the Reserve Bank must dispose of every application within exactly thirty days. Instead, the Bank is required to endeavor to dispose of applications within six months. Therefore, while the reason regarding economic growth is generally true, the assertion of a strict thirty-day disposal limit is factually incorrect.

64. (A) To the Central Government within thirty days from the date the order is communicated
If a service provider's authorization is revoked, the legal remedy is to file an appeal with the Central Government. This appeal must be submitted within thirty days from the date the revocation order is communicated to the provider. The Central Government then serves as the reviewing authority to determine if the revocation was carried out in accordance with the law.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Act stipulates that finalized settlements are irrevocable to ensure the stability of the entire financial system. If a participant becomes insolvent, allowing those settlements to be unwound would create significant systemic risk and financial uncertainty for other participants. Therefore, both the assertion of finality and the reason regarding systemic risk mitigation are accurate and logically connected within the law.

66. (B) Not less than fifty-one per cent of the equity must be held by public sector banks
For any entity operating a common retail clearing house system for banks across India, there is a specific ownership requirement. The law mandates that at least fifty-one per cent of the equity in such a company must be held by public sector banks. This ensures that essential national infrastructure for retail payments remains under the control of government-backed financial institutions.

67. (C) Within fifteen days of the receipt of the objections
If the Reserve Bank of India objects to a proposed change in a payment system, the system provider is given a chance to respond. The provider must forward its comments regarding the objections within fifteen days of receiving them. This timeline allows for a swift exchange of information and ensures that regulatory decisions regarding system modifications are handled without unnecessary delay.

68. (D) Assertion (A) is false, but Reason (R) is true
The right of a system provider to appropriate collaterals is not suspended during insolvency. On the contrary, the Act explicitly protects this right, ensuring that collaterals can be used to finalize settlement obligations despite a participant's insolvency. Therefore, the assertion that the right is suspended is incorrect, while the reason stating that the right remains unaffected is a true statement.

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Oct/Nov 2022

13. In a usufructuary mortgage, what is the nature of 'possession' delivered to the mortgagee?

(A) It denotes legal possession, where the mortgagor may continue physical occupation as a lessee.

(B) It must strictly be physical possession where the mortgagee occupies the property and manages all daily operations.

(C) It implies constructive possession solely through a court-appointed receiver who reports directly to the district magistrate.

(D) It means the immediate transfer of ownership records in municipal registers as well as all relevant tax documents.

May/June 2018

14. Read the following scenario and answer the question:

Mr. Sharma obtained a loan from ABC Bank by creating a simple mortgage over his residential property. Upon his default, the bank obtained a court decree and sold the property. However, the sale proceeds were insufficient to cover the entire outstanding mortgage debt. What is the legal recourse available to ABC Bank for the shortfall?

(A) The bank must write off the shortfall as simple mortgages do not provide for personal liability even if the mortgagor is solvent.

(B) The bank can file a suit for foreclosure to claim Mr. Sharma's other unconnected properties automatically through a summarily issued court order.

(C) The bank can hold Mr. Sharma personally liable for the shortfall as the mortgage binds the mortgagor.

(D) The bank must appropriate the rents from the sold property until the shortfall is recovered regardless of the existing tenancy agreements.

Oct/Nov 2016

15. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option.

Assertion (A): In an English Mortgage, the mortgagee can sue the mortgagor for the recovery of the money and can obtain a decree for sale.

Reason (R): An English Mortgage provides for a personal covenant to pay on a specified date and an absolute transfer of the property in favour of the mortgagee.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2014

16. Consider the following statements regarding a 'charge' in the context of lending:

I. A charge is an interest created by a borrower on assets as security to fall back on in case of default.

II. Fixed charge and floating charge are two different types of charges.

Which of the above statement(s) is/are correct?

(A) Only I

(B) Only II

(C) Both I and II

(D) Neither I nor II

Oct/Nov 2007

17. Which of the following statements correctly describes an English Mortgage?

(A) The absolute transfer is subject to a provision of re-conveyance upon repayment

(B) There is no absolute transfer of the property to the mortgagee

(C) It does not provide for a personal covenant to pay the mortgage money

(D) The mortgagee's only remedy is foreclosure and not the sale of the property

May/June 2025

18. Consider the following elements present in the definition of a mortgage under Section 58(a) of the Transfer of Property Act:

I. Transfer of interest in specific immoveable property.

II. Purpose is securing the payment of money advanced or to be advanced by way of loan.

III. Securing an existing or future debt.

IV. Securing the performance of an engagement which may give rise to a pecuniary liability.

Which of the above statement(s) is/are correct?

(A) I, II, and III

(B) I, III, and IV

(C) II, III, and IV

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77. (C) As a Derivative
An instrument that is settled at a future date and derives its value from an underlying financial variable, such as a credit index or interest rate, is classified as a derivative. The definition provided in the Act specifically includes such contracts, which are essential components of modern financial markets and are regulated within the broader payment and settlement systems framework.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The prohibition on charging for specific electronic payment modes is a key policy aimed at increasing digital transaction adoption. Both the assertion and the reason correctly identify that the law explicitly forbids banks and system providers from levying such fees. The reason directly explains why the assertion holds true, reflecting the statutory intent to keep prescribed electronic payments free.

79. (B) The demand is invalid as insolvency shall not affect any settlement that has become final and irrevocable
The finality of settlements is a cornerstone of financial stability. Once a settlement cycle has become final and irrevocable under the approved procedure, it cannot be undone, even if a participant is later declared insolvent. The liquidator's demand to unwind the transaction is invalid because the law prioritizes the integrity of the payment system over the claims of an insolvent party.

80. (A) The CCP can appropriate the collaterals towards the settlement obligations and return the excess to the liquidator
In the event of a participant's insolvency, a central counter party has the legal right to use the collaterals provided by that participant. These assets are appropriated to cover any outstanding settlement obligations of the defaulting bank. Once all obligations are met, any remaining excess from the collaterals must then be returned to the official liquidator or the participant's legal representative.

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69. (D) The application may be refused after giving the applicant a reasonable opportunity of being heard
The Reserve Bank assesses factors like management integrity and financial status when reviewing applications. If these are found to be unsatisfactory, the Reserve Bank has the authority to refuse the authorization. However, it must first provide the applicant with a reasonable opportunity of being heard, ensuring that the refusal process follows the principles of natural justice and administrative fairness.

70. (C) The fee is illegal as no bank or system provider shall impose any charge on such prescribed electronic modes
To promote a cashless economy, the law prohibits any bank or system provider from imposing any charge on payments made through electronic modes prescribed under section 269SU of the Income-tax Act. Therefore, any flat fee or transaction charge imposed by a bank on these specific electronic methods is illegal and violates the explicit statutory prohibition against such levies.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A central counter party facilitates secure settlements by interposes itself between participants. This is achieved through novation, where the original contract between two participants is replaced by new contracts with the central counter party. Consequently, it becomes the buyer to every seller and the seller to every buyer, which effectively centralizes and manages the credit risk for all transactions.

72. (D) Alpha must obtain prior approval of the Reserve Bank of India and give not less than thirty days' notice to system participants
Any structural or technical change to an authorized payment system requires a formal approval process. The system provider must first obtain the prior approval of the Reserve Bank of India. Additionally, once approval is granted, the provider must give at least thirty days' notice to all system participants before the changes can be implemented, ensuring a smooth and transparent transition.

73. (B) Netting
The process of adjusting and setting off multiple payment instructions to arrive at a single net obligation or claim for each participant is known as netting. This method is fundamental to modern payment systems, as it significantly reduces the volume and value of funds that must actually be transferred between participants, thereby improving liquidity management and lowering overall settlement risks.

74. (D) The participant must comply with the direction without delay and furnish a report within the allowed time
When the Reserve Bank issues a direction to mitigate systemic risk, the involved participant is legally obligated to comply. The participant must follow the direction without delay and is typically required to furnish a report to the Reserve Bank confirming compliance. These directions are critical regulatory tools used to ensure the ongoing safety and stability of the national payment infrastructure.

75. (A) It must obtain an authorization issued by the Reserve Bank of India
Operating a payment system, which includes money transfer operations, requires mandatory authorization. Under the Act, no person other than the Reserve Bank can operate such a system without first obtaining a formal authorization. Therefore, before launching its mobile application for merchant transfers, ABC FinTech Corp must successfully complete the application process and receive approval from the Reserve Bank of India.

76. (D) The officer may enter premises, inspect equipment, and call upon employees to furnish required information
Authorized officers of the Reserve Bank have significant powers to ensure the proper operation of payment systems. They are legally permitted to enter any premises where a system is operated to inspect equipment, such as computer systems and digital infrastructure. Additionally, they can require any employee to provide the information necessary to evaluate whether the system complies with its authorization.

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the bank will re-convey the property upon full repayment on the specified date. XYZ Corporation defaults on the specified date. What is the precise legal remedy available to the lending bank?

(A) The bank can permanently retain the property without further legal action or any requirement to notify the original owner.
(B) The bank can sue XYZ Corporation for the recovery of the money and obtain a decree for sale.
(C) The bank can sue for foreclosure to extinguish the mortgagor's right of redemption under the terms of the Transfer of Property Act.
(D) The bank can only appropriate the rental income of the building indefinitely until the corporation decides to repay the debt.

Oct/Nov 2009

7. What constitutes a 'charge' in the context of lending?
(A) The absolute transfer of ownership of an asset by a borrower to a creditor
(B) An interest or right created on assets as security in favour of a lender
(C) A financial obligation incurred by a guarantor independent of the borrower
(D) An outright sale of an immoveable property subject to a repurchase agreement

May/June 2019

8. Consider the following statements regarding a mortgage by conditional sale:
I. The mortgagor ostensibly sells the mortgaged property.
II. The condition of the sale becoming void upon payment must be embodied in the document effecting the sale.
III. The mortgagee can sue the mortgagor under a personal covenant for repayment.
Which of the above statement(s) is/are correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

Oct/Nov 2006

9. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option.
Assertion (A): Bankers do not prefer to accept a usufructuary mortgage as security for a loan.
Reason (R): In a usufructuary mortgage, there is no personal covenant to repay the debt, and recovery through appropriation of rents normally takes a very long time.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2021

10. Under a simple mortgage, registration is mandatory if the principal amount secured is:
(A) Rs. 100 and above
(B) Rs. 500 and above
(C) Rs. 1,000 and above
(D) Rs. 10,000 and above

Oct/Nov 2010

11. Which of the following statements about an equitable mortgage is incorrect?
(A) It involves minimum formalities and typically saves the borrower stamp duty and registration charges
(B) It requires a debt, a deposit of title deeds, and an intention to create security
(C) If the borrower creates a subsequent legal mortgage, it does not defeat the prior equitable mortgage if the mortgagee holds the original deeds
(D) The territorial restriction applies strictly to the location where the property is situated, not where the deeds are delivered

May/June 2005

12. Which of the following statements correctly identifies an essential ingredient of a mortgage?
(A) The transfer must solely be to secure future debts and not existing liabilities
(B) Delivery of physical possession is universally required to validate the mortgage
(C) There must be a transfer of interest in the property by the owner or lessor
(D) The execution of an explicit personal covenant is mandatory in all forms of mortgage

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formal evaluation criterion mentioned in the Act, focusing instead on financial, technical, and regulatory compliance factors.

52. (A) P-2, Q-4, R-1, S-3
Existing systems had six months to apply for authorization upon commencement. Changes to a system require at least thirty days' notice to participants. If the Reserve Bank objects to a change, comments must be forwarded within fifteen days. Finally, the Central Government aims to dispose of appeals within three months, which correctly matches each timeline to its corresponding event.

53. (C) System provider forwarding comments on RBI's objection - Within 30 days
Most timelines in the Act are correctly described, such as the thirty-day limit for filing an appeal and for laying regulations before Parliament. However, the timeframe for a system provider to forward comments regarding an objection from the Reserve Bank is actually fifteen days, not thirty days. This makes the thirty-day response timeframe an incorrectly matched pair in the list.

54. (A) I, II, and III only
Settlements that are final and irrevocable either before or immediately after an insolvency order remain valid. Additionally, the provider's right to appropriate collaterals is protected. However, the liquidator does not have the authority to re-open final settlements. This legal structure is designed to safeguard the payment system from the disruptive effects of a participant's bankruptcy or insolvency proceedings.

55. (A) I and II only
Authorization requirements do not apply to persons acting as agents for a payee or to companies accepting payments from their own holding or subsidiary companies. However, a public sector bank operating a domestic card network is not automatically exempt and must follow the regulatory requirements for operating a payment system, as the exemption only applies to specific intra-group or agency relationships.

56. (A) P-3, Q-4, R-2, S-1
Section 4 deals with the mandatory requirement of authorization. Section 11 covers changes made to the payment system. Section 23 is the key provision regarding settlement and netting finality. Finally, Section 38 empowers the Reserve Bank of India to make regulations. Each section is correctly matched to its specific subject matter under the Payment and Settlement Systems Act framework.

57. (A) I, II, III, and IV only
The definition of "derivative" explicitly includes interest rate swaps, forward rate agreements, foreign currency swaps, and foreign currency rupee options. These are financial instruments settled at a future date based on underlying values. Real estate investment trusts are not included in this definition, as they are investment vehicles rather than specific derivative contracts as defined under this particular regulatory Act.

58. (A) Revocation of authorization - Appealable to the Supreme Court
While authorizations are issued by the Reserve Bank and the Board includes the Governor and Deputy Governor, the appeal process is specific. An aggrieved provider must appeal to the Central Government, not directly to the Supreme Court. This administrative appeal route is the primary legal mechanism for challenging the revocation of a payment system's authorization under the Payment and Settlement Systems Act.

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59. (A) I, II, and III only
Structural changes require prior RBI approval and thirty days' notice to participants, though the notice can be waived for monetary policy reasons. While the requirement for the Reserve Bank to communicate objections within thirty days is a standard provision mentioned in Section 11, the provider is specifically required to forward their comments within fifteen days of receiving those objections to ensure compliance.

60. (A) Only I
Settlements made under approved procedures for loss distribution are final and irrevocable. This finality is not nullified by a court order declaring a participant insolvent. Instead, the law protects such finalized settlements to prevent systemic failure. Therefore, the statement claiming that an insolvency order instantly nullifies prior final settlements is incorrect according to the provisions of the Act.

(D) I, II, III, and IV

Oct/Nov 2019

19. Which of the following is NOT a characteristic of a usufructuary mortgage?
(A) The mortgagee has no right to a personal covenant to repay the debt
(B) The recovery of the debt relies solely on the appropriation of rents and profits
(C) The process of recovering the money takes a considerably long time
(D) The mortgagee can sue for foreclosure if the debt is not repaid within thirty years

May/June 2009

20. Which of the following statements is incorrect regarding a mortgage by way of conditional sale?
(A) The mortgagee can sue the mortgagor under a personal covenant for the repayment of the debt
(B) The transaction involves an ostensible sale of the mortgaged property
(C) The condition of sale becoming absolute or void must be embodied in the document effecting the sale
(D) The mortgagee can sue for foreclosure upon default of payment by the agreed date

Oct/Nov 2011

21. In which of the following towns can an equitable mortgage be created by default, as specified by the Transfer of Property Act?
(A) Delhi, Mumbai, and Chennai
(B) Ahmedabad, Kolkata, and Delhi
(C) Kolkata, Chennai, and Mumbai
(D) Mumbai, Bengaluru, and Chennai

May/June 2010

22. What is the most precise composition of 'mortgage money' as defined in the context of mortgages?
(A) The initial loan amount disbursed to the mortgagor excluding any future advances
(B) The principal money and interest of which payment is secured by the mortgage
(C) The current market value of the immoveable property offered as security
(D) The total sum of the loan, processing fees, penal charges, and legal expenses incurred

Oct/Nov 2024

23. Under a simple mortgage, the mortgagee does NOT possess the right to:
(A) Cause the mortgaged property to be sold by a decree of the Court
(B) Hold the mortgagor personally liable for any shortfall after the sale
(C) Apply the proceeds of the court-ordered sale towards the payment of the mortgage money
(D) Sell the property directly without the intervention of the Court

May/June 2017

24. Read the following scenario and answer the question:
A farmer delivers legal possession of his agricultural land to a village moneylender under a usufructuary mortgage. The moneylender starts appropriating the profits from the crops. Five years later, the farmer demands his land back, asserting that the debt is fully repaid, while the moneylender disagrees. The moneylender files a suit for the sale of the land to recover the alleged remaining debt. What will the court decide regarding the moneylender's suit?
(A) The court will decree the sale because five years have passed and the interest accrued exceeds the principal amount.
(B) The court will convert the mortgage into a simple mortgage and order the sale based on principles of equity and justice.
(C) The court will order foreclosure since the debt remains unpaid and the farmer has failed to prove the repayment of the loan.
(D) The court will dismiss the suit as a usufructuary mortgagee cannot sue for sale or foreclosure.

Oct/Nov 2005

25. Read the following scenario and answer the question:
Mr. Gupta executes a sale deed in favour of a lender to secure a loan. Orally, the lender agrees that if Mr. Gupta repays the loan by a certain date, the sale will become void. The written document, however, reflects an absolute sale with no mention of this condition. When Mr. Gupta defaults, the lender claims it is a mortgage by conditional sale. Is the lender's claim legally valid?
(A) Yes, because oral agreements are sufficient to establish the nature of the mortgage.
(B) No, because the condition must be embodied in the document which effects or purports to effect the sale.

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Kolkata, Chennai, and Mumbai, and no other towns.

V. Anomalous mortgage may be a combination of a usufructuary mortgage and a conditional sale.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2018

51. Match the legal action in List-I with its limitation period in List-II:

List I: (Legal Action)

P. Suit for recovery of mortgaged debt
Q. Suit for sale of mortgaged property
R. Suit for foreclosure
S. Creation of equitable mortgage

List II: (Limitation Period/Requirement)

1. 30 years
2. No specific registration or time required
3. Governed by Article 62
4. 12 years

(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-1, R-4, S-2
(C) P-1, Q-2, R-3, S-4
(D) P-3, Q-4, R-1, S-2

May/June 2007

52. Read the following scenario and answer the question:

Mr. Verma holds the title deeds of a commercial building strictly in his capacity as a trustee for his minor nephew. He fraudulently approaches a bank and effects an equitable mortgage by depositing these title deeds to secure a personal loan. When Mr. Verma defaults, the bank seeks to sell the property. The nephew's legal guardian objects. Whose claim will prevail?

(A) The bank's claim, because an equitable mortgage always overrides trust beneficiaries provided the loan was disbursed in good faith.
(B) Both claims rank equally and the proceeds will be divided proportionately between the trust and the bank as per court directions.
(C) The bank's claim, provided the bank can prove it had no knowledge of the trust despite conducting due diligence on the title deeds.
(D) The minor nephew's claim, as the claim of the beneficiary under trust will prevail over any equitable mortgage.

Oct/Nov 2025

53. Which of the following pairs is correctly matched based on the Transfer of Property Act definitions?

(A) Section 58(b) – Mortgage by conditional sale including provisions for re-conveyance
(B) Section 58(d) – English Mortgage involving absolute transfer and personal covenant
(C) Section 58(f) – Mortgage by deposit of title deeds
(D) Section 58(g) – Simple Mortgage where the mortgagor binds himself personally

May/June 2012

54. Consider the following statements regarding priority and limitations:

I. Indian law on priority is found in Section 48 of the Transfer of Property Act.
II. A registered document operates from the time of its execution, per Section 47 of the Registration Act.
III. English Law dictates that as between equities, the one prior in time prevails.
IV. The limitation period for filing a suit for sale is twelve years.
V. The limitation period for foreclosure is governed by Article 62 of the Limitation Act.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2009

55. According to Section 47 of the Registration Act, 1908, a registered document operates from:

(A) The time of its execution
(B) The exact date of its registration
(C) The date it is presented for registration
(D) The date of disbursement of the underlying loan

May/June 2019

56. Consider the following recognized merits of an equitable mortgage:

I. The borrower typically saves on stamp duty on the mortgage deed.
II. It saves registration charges as it involves

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general rule of temporal priority.
(B) The legal mortgage prevails because where law and equity conflict, the law prevails.
(C) Both mortgages rank equally and share the proceeds proportionally under the supervision of the Chancery Court.
(D) The equitable mortgage prevails only if the legal mortgagee had prior notice of the existing equitable interest.

Oct/Nov 2017

33. Regarding the demerits of an equitable mortgage, consider the following statements:
I. In case of default, the remedy involves going to the Court to obtain a decree for sale, which is expensive and time-consuming.
II. If the borrower holds title deeds as a trustee, the equitable mortgage prevails over the beneficiary's claim under trust.
III. The time-consuming shortcoming can be overcome by inserting a covenant giving the mortgagee the power of sale.
Which of the above statement(s) is/are correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

May/June 2008

34. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option.
Assertion (A): A document executed earlier, though registered later than another, has priority over the documents executed later.
Reason (R): Section 47 of the Registration Act, 1908 provides that a registered document operates from the time of its execution, not from the date of its registration.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2013

35. Which of the following pairs is incorrectly matched regarding the essential features of mortgages?
(A) Equitable Mortgage – Mandatory registration of the title deposit
(B) Simple Mortgage – Mortgagor binds himself personally
(C) Usufructuary Mortgage – Mortgagee retains possession until repayment
(D) Mortgage by conditional sale – Ostensible sale becomes absolute on default

May/June 2015

36. What is the limitation period for filing a suit for foreclosure of a mortgaged property?
(A) Three years from the date the money secured becomes due
(B) Twelve years from the date the money secured becomes due
(C) Twenty years from the date the money secured becomes due
(D) Thirty years from the date the money secured becomes due

Oct/Nov 2012

37. What is the most effective way for a bank to overcome the expensive and time-consuming process of obtaining a court decree for sale in an equitable mortgage?
(A) By inserting a covenant in the mortgage deed that grants the mortgagee the power of sale.
(B) By immediately taking physical possession of the property upon default without seeking prior permission from the local civil court.
(C) By converting the equitable mortgage into a usufructuary mortgage post-default through a fresh registered agreement between the parties.
(D) By filing a criminal suit against the mortgagor for breach of trust in the court of a first-class judicial magistrate.

May/June 2011

38. The general rule regarding the priority of rights created by transfer by a person at different times over the same immoveable property is based on the principle that:
(A) A registered instrument automatically overrides any prior unregistered right
(B) A right accompanied by physical possession prevails over all other rights
(C) The instrument with the highest secured financial value has absolute priority

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(C) Yes, because the default automatically converts any absolute sale into a mortgage by conditional sale.
(D) No, because a mortgage by conditional sale cannot involve an ostensible sale.

May/June 2020

26. In a mortgage transaction, what is the core element transferred from the mortgagor to the mortgagee?
(A) The absolute title to the immoveable property
(B) The physical possession of the property
(C) The unrestricted right to alienate the property
(D) An interest in the specific immoveable property

Oct/Nov 2015

27. Consider the following statements concerning an English Mortgage:
I. The mortgagor binds himself to repay the mortgage money on a certain date.
II. The property is transferred absolutely to the mortgagee.
III. The absolute transfer is subject to a provision that it will not be re-transferred under any circumstances.
IV. The mortgagee can obtain a decree for the sale of the property.
Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

May/June 2013

28. Which of the following statements is true regarding a simple mortgage?
(A) The mortgagor binds himself personally to pay the mortgage money
(B) The mortgagee is put in possession of the mortgaged property
(C) The mortgagee has the power to sell the property without the intervention of the Court
(D) The mortgagee has the right to appropriate payments out of the rents and produce of the property

NODIA

Oct/Nov 2021

29. Consider the following statements regarding a Usufructuary mortgage:
I. The mortgagee relies on rents and profits for the recovery of the debt.
II. There is a specific statutory time limit of thirty years within which the mortgagor must repay the debt.
III. The mortgagee cannot sue the mortgagor for the sale or foreclosure of the property.
Which of the above statement(s) is/are correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

May/June 2024

30. In the context of a mortgage by way of conditional sale, what does the term 'foreclosure' imply?
(A) The immediate public auction of the property by the court
(B) The automatic transfer of physical possession to the mortgagee without court intervention
(C) The imposition of personal liability on the mortgagor to cover any shortfall
(D) The loss of the right possessed by the mortgagor to redeem the mortgaged property

Oct/Nov 2008

31. Which of the following defines an 'Anomalous Mortgage'?
(A) A mortgage where possession is delivered to the lender but no personal liability is attached to the borrower for the repayment.
(B) A mortgage created solely by the deposit of title deeds in specified towns notified by the State Government for this purpose.
(C) A mortgage which does not fall under any of the other five explicitly recognized types of mortgages.
(D) A mortgage that involves the absolute transfer of property subject to re-conveyance after the full repayment of the secured debt.

May/June 2006

32. Under English Law, how is a conflict of priority resolved between a prior equitable mortgage and a subsequent legal (simple) mortgage?
(A) The equitable mortgage prevails because it was created earlier in time and follows the

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2015

45. Read the following scenario and answer the question:
On 10th January, a borrower validly creates an equitable mortgage by depositing his original title deeds with Bank P. On 25th February, the same borrower conceals this fact and executes a legal (simple) mortgage over the same property in favour of Bank Q, which Bank Q promptly registers. Bank P did not register its equitable mortgage. Who holds priority?
(A) Bank Q, because a registered mortgage always takes priority over an unregistered equitable mortgage under Section 50 of the Registration Act, 1908.
(B) Bank Q, because under English Law, a legal mortgage prevails over an equitable one when the legal mortgagee has no notice.
(C) Bank P, as a prior mortgage by deposit of title deeds prevails against any subsequent registered mortgage.
(D) Bank P, only if it subsequently registers the deposit within three months of the date of the original delivery of deeds.

May/June 2010

46. Consider the following statements about an equitable mortgage:
I. The territorial restriction applies solely to the situation of the property mortgaged, not where the title deeds are delivered.
II. To create this mortgage, there must be a debt, a deposit of title deeds, and an intention to act as security.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2019

47. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option.
Assertion (A): A prior mortgage by deposit of title deeds prevails against any subsequent registered mortgage relating to the same property.
Reason (R): According to Section 48 of the Indian Registration Act, a prior mortgage by deposit of title deeds is not affected by a subsequent registered mortgage as the former need not be registered.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

NODIA

May/June 2005

48. The Transfer of Property Act contemplates six different kinds of mortgages. Which of the following is NOT one of them?
(A) Simple mortgage
(B) Statutory mortgage
(C) English mortgage
(D) Anomalous mortgage

Oct/Nov 2022

49. Determine the correct order of priority among the following registered instruments based on Section 47 of the Registration Act:
I. Document A: Executed on 1st March, Registered on 15th April.
II. Document B: Executed on 10th March, Registered on 12th April.
III. Document C: Executed on 20th February, Registered on 10th May.
IV. Document D: Executed on 5th March, Registered on 5th April.
(A) III, I, IV, II
(B) III, II, IV, I
(C) I, IV, II, III
(D) I, III, II, IV

May/June 2014

50. Consider the following statements regarding the provisions of various types of mortgages:
I. In simple mortgage, the mortgagor is personally liable for any shortfall post-sale.
II. In conditional sale, if money is not repaid on the agreed date, the ostensible sale becomes absolute via court decree.
III. Usufructuary mortgage provides the mortgagee the right to appropriate rents in lieu of interest or principal.
IV. Equitable mortgage can only be created in

preliminary decree, a final decree for sale is passed.

V. Mortgage by deposit of title deeds cannot be enforced through a suit for sale.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2009

62. Bank X is evaluating a loan application where the borrower offers a certified copy of the title deed, claiming the original is lost. Before proceeding, Bank X conducts a search on the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). What is the primary purpose of this search in this specific scenario?

(A) To verify the exact physical dimensions and architectural plan of the property to ensure compliance with local building bylaws.
(B) To minimize misuse by ensuring no prior equitable mortgage or charge is currently subsisting.
(C) To confirm the market valuation of the property assessed by government valuers for the purpose of calculating the loan-to-value ratio.
(D) To automatically register the new mortgage without the need for court intervention or any further documentation from the borrower.

Oct/Nov 2007

63. Which Order of the Code of Civil Procedure, 1908 deals with the procedures to be adhered to while filing a suit for the sale of mortgaged property?

(A) Order 16
(B) Order 21
(C) Order 34
(D) Order 47

May/June 2025

64. When considering whether an instrument qualifies as a document of title, what is the most critical factor a court evaluates?

(A) Whether the legal instrument proves the right of a person in a particular property.
(B) Whether the document has been registered with the local municipality and all property taxes have been paid up to date.
(C) Whether the document is bound and printed on official judicial stamp paper of the appropriate denomination for that state.
(D) Whether the document contains the signature of at least two independent witnesses who are not related to the mortgagor.

Oct/Nov 2011

65. Read the following scenario and answer the question:

A borrower availed a term loan secured by a simple mortgage. The entire money sued for became due on 1st April 2010. The borrower defaulted, but the bank neglected the account. On 1st May 2023, the bank decides to file a suit for the sale of the mortgaged property. Will the suit be maintainable under the Indian Limitation Act, 1963?

(A) Yes, because a mortgage debt remains legally valid indefinitely until the borrower physically hands over the property to the bank.
(B) Yes, because the limitation period for filing a suit for sale is thirty years under the specific provisions of the Limitation Act.
(C) No, because the limitation period for filing a suit for sale is twelve years from the date the money becomes due.
(D) No, because the bank must first seek a foreclosure decree and obtain possession before applying for a court-ordered sale.

May/June 2010

66. Under what specific circumstance might a certified copy of a title deed be deemed acceptable for creating an equitable mortgage?

(A) When the borrower explicitly refuses to part with the original document for personal reasons
(B) When the original document is lost, and it is ensured that no subsisting charge exists elsewhere
(C) When the property is located in a non-notified town and original deeds cannot be transported
(D) When the loan amount is minimal and the bank waives the original deed requirement to save time

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minimum formalities.
III. It can be conveniently created with less time.
IV. It affords maximum public visibility to enhance the customer's credit standing.
Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

Oct/Nov 2006

57. Read the following scenario and answer the question:
On 1st May, Mr. A executes a registered mortgage deed (Document X) in favour of Bank 1. Later, it is discovered that Mr. A had already executed a registered mortgage deed (Document Y) for the same property in favour of Bank 2 on 15th April, but Document Y was formally registered on 10th May. Under Section 47 of the Registration Act, which bank has priority?
(A) Bank 2, because Document Y was executed earlier than Document X.
(B) Bank 1, because Document X was registered before Document Y.
(C) Both banks hold equal priority since both documents were eventually registered.
(D) Bank 1, because execution dates are irrelevant once a document is registered first.

May/June 2021

58. Match the type of mortgage in List-I with the corresponding sub-section of Section 58 of the Transfer of Property Act in List-II:
List I: (Type of mortgage)
P. Mortgage by conditional sale
Q. Anomalous mortgage
R. Usufructuary mortgage
S. English mortgage
List II: (Section 58 Sub-section)
1. Section 58(g)
2. Section 58(c)
3. Section 58(e)
4. Section 58(d)
(A) P-2, Q-1, R-4, S-3
(B) P-4, Q-2, R-1, S-3
(C) P-2, Q-3, R-4, S-1
(D) P-3, Q-1, R-2, S-4

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Oct/Nov 2010

59. Match the Section/Act in List-I with its corresponding provision in List-II:
List I: (Section/Act)
P. Section 48, Transfer of Property Act
Q. Section 47, Registration Act
R. Section 50, Registration Act
S. Section 48, Registration Act
List II: (Provision)
1. Prior mortgage by deposit of title deeds not affected by subsequent registered mortgage
2. Registered document operates from the time of its execution
3. General rule of priority (first in point of time prevails)
4. Registered mortgage allows priority over unregistered mortgage
(A) P-2, Q-3, R-1, S-4
(B) P-3, Q-4, R-2, S-1
(C) P-3, Q-2, R-4, S-1
(D) P-4, Q-1, R-3, S-2

May/June 2018

60. Consider the following statements regarding various types of mortgages:
I. In a simple mortgage, the mortgagee has no power to sell without court intervention.
II. In a mortgage by conditional sale, the mortgagee can sue for the sale of the property but not foreclosure.
III. In a usufructuary mortgage, the mortgagor incurs no personal liability.
IV. In an English mortgage, there is a personal covenant to pay.
V. An equitable mortgage is unaffected by a subsequent registered simple mortgage.
Which of the above statement(s) is/are correct?
(A) I, II, IV, and V
(B) I, III, IV, and V
(C) II, III, IV, and V
(D) I, II, III, and IV

Oct/Nov 2016

61. Consider the following statements regarding the enforcement of a mortgage:
I. Section 16(c) of CPC dictates filing the suit where the property is situated.
II. Order 34 of CPC deals with procedures for mortgage suits.
III. A preliminary decree gives the mortgagor a certain period to pay the debt.
IV. If the mortgagor fails to pay after the

May/June 2013

72. Read the following scenario and answer the question:

A borrower residing in Delhi creates a mortgage in favour of a bank located in Chandigarh over an immoveable property situated in Jaipur. When the borrower defaults, the bank prepares to file a suit for the sale of the mortgaged property. According to Section 16(c) of the Civil Procedure Code, in which court must the suit be filed?

(A) The Court in Delhi, where the borrower resides.
(B) The Court in Chandigarh, where the bank is located.
(C) The Supreme Court of India, due to the multi-state involvement.
(D) The Court in Jaipur, where the mortgaged property is situated.

Oct/Nov 2021

73. Bank X is evaluating a loan application where the borrower offers a certified copy of the title deed, claiming the original is lost. Before proceeding, Bank X conducts a search on the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). What is the primary purpose of this search in this specific scenario?

(A) To verify the exact physical dimensions and architectural plan of the property to ensure compliance with local building bylaws.
(B) To minimize misuse by ensuring no prior equitable mortgage or charge is currently subsisting.
(C) To confirm the market valuation of the property assessed by government valuers for the purpose of calculating the loan-to-value ratio.
(D) To automatically register the new mortgage without the need for court intervention or any further documentation from the borrower.

May/June 2024

74. To secure a loan, a customer approaches a bank and offers to create an equitable mortgage over an ancestral plot. However, he does not possess any sale deed or transfer document. He only produces a recent revenue receipt showing he has paid municipal taxes for the plot. Based on the legal standards for documents of title, what should the bank's stance be?

(A) Accept the revenue receipt as a conclusive document of title and disburse the loan amount without any further verification.
(B) Accept the revenue receipt only if accompanied by a personal affidavit sworn before a first-class executive magistrate.
(C) Forward the revenue receipt to the State Government for a special notification in the official gazette to validate the security.
(D) Reject the revenue receipt, as it is insufficient evidence to prove title to property.

Oct/Nov 2008

75. Consider the following statements regarding the enforcement of a mortgage:

I. Order 34 of the Code of Civil Procedure mandates that the Court pass a final decree before passing a preliminary decree.
II. The preliminary decree directs the mortgagor to pay the mortgage debt within a certain period.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2006

76. In the context of creating an equitable mortgage, which of the following is explicitly NOT considered by itself a document of title to immoveable property?

(A) A registered sale deed in favour of the mortgagor
(B) A legal instrument proving the right to peaceful possession
(C) A deed of transfer executed and recognized by law
(D) A revenue receipt acknowledging payment of taxes

Oct/Nov 2017

77. Consider the following statements regarding the acceptance of a copy of a document of title:

I. Normally, a copy of a deed of transfer is considered valid for creating an equitable mortgage.
II. Allowing copies could lead to misuse, where a borrower obtains loans from multiple entities unaware of earlier mortgages.
III. The introduction of CERSAI has minimized the risk of misuse of copies.

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Oct/Nov 2024

67. Read the following scenario and answer the question:

In a suit for the sale of a mortgaged property, the Court concludes hearings and passes a preliminary decree. The decree directs the mortgagor to pay the entire outstanding mortgage debt within a period of six months. The mortgagor manages to pay the full amount into the court within four months. What is the consequent legal outcome?

(A) The court will still pass a final decree for sale to penalize the delayed payment and compensate the mortgagee for legal costs.
(B) The property will be sold as per the original schedule, but the sale proceeds will be refunded to the mortgagor after deducting costs.
(C) The court will not order the sale of the property as the condition of the preliminary decree has been met.
(D) The mortgagee can demand an additional foreclosure decree and obtain physical possession of the property regardless of the payment.

May/June 2017

68. Read the following steps and arrange them in the correct chronological order for the enforcement of a mortgage through a court:

I. Court passes a final decree ordering the sale of the property.
II. A suit for the sale of the mortgaged property is filed in the appropriate court.
III. The mortgaged property is sold in execution of the decree.
IV. Court passes a preliminary decree directing the mortgagor to pay the debt within a certain period.

(A) II, I, IV, III
(B) II, IV, I, III
(C) IV, II, I, III
(D) II, IV, III, I

Oct/Nov 2005

69. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option.

Assertion (A): A certified copy of a deed of transfer is always accepted by banks as a document of title to create an equitable mortgage.

Reason (R): Any number of certified copies can be easily obtained by the owner even while remaining in possession of the original documents.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2020

70. Consider the following observations made regarding the legal concept of 'documents of title':

I. Documents of title mean the legal instruments which prove the right of a person in a particular property.
II. Evidence supplied by the documents is universally conclusive in all cases to prove title.
III. A revenue receipt is insufficient evidence to prove title to property.

Which of the above statement(s) is/are correct?

(A) I and II
(B) I and III
(C) II and III
(D) I, II, and III

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Oct/Nov 2015

71. Read the following scenario and answer the question:

Under a mortgage by conditional sale, the debt became completely due on 1st January 1995. The mortgagee, realizing the default, waits and finally files a suit for foreclosure on 1st January 2020. Is the suit barred by the law of limitation?

(A) Yes, because the limitation period for all types of mortgage suits is strictly twelve years under the general Article 62.
(B) Yes, because foreclosure suits must be filed within three years of default to be maintainable in a civil court of law.
(C) No, because foreclosure suits have no specific limitation period in India and can be filed at any point in time.
(D) No, because the limitation period for filing a suit for foreclosure is thirty years under Article 63(a).

(D) Each later created right is subject to the rights previously created

Oct/Nov 2020

39. Consider the following statements about the priority of mortgages:

I. Under Indian law, priority is generally based on the maxim "He has a better title who was first in point of time."

II. A document executed earlier but registered later loses its priority to a document executed and registered in the interim.

III. A prior mortgage by deposit of title deeds is protected against a subsequent registered mortgage under Section 48 of the Registration Act.

Which of the above statement(s) is/are correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2022

40. Match the type of mortgage in List-I with its characteristic regarding possession/transfer in List-II:

List I: (Type of mortgage)
P. Simple mortgage
Q. Usufructuary mortgage
R. English mortgage
S. Equitable mortgage

List II: (Characteristic)
1. Absolute transfer subject to re-conveyance
2. Delivery of legal possession
3. Delivery of title deeds
4. Without delivering possession

(A) P-1, Q-3, R-4, S-2
(B) P-4, Q-1, R-2, S-3
(C) P-2, Q-4, R-3, S-1
(D) P-4, Q-2, R-1, S-3

Oct/Nov 2023

41. Which of the following pairs concerning the Limitation Act, 1963 is incorrectly matched?

(A) Article 62 – Limitation for suit for recovery of mortgaged debt and sale
(B) Twelve Years – Time limit for filing suit for foreclosure
(C) Article 63(a) – Limitation for suit for foreclosure
(D) Twelve Years – Time limit for filing suit for sale

May/June 2016

42. Read the following scenario and answer the question:

A borrower residing in a non-notified town in Uttar Pradesh owns an immoveable property located in that same non-notified town. To secure a business loan from a bank, the borrower travels to Mumbai, which is a notified town, and delivers the original title deeds of his property to the bank's branch manager with the intention to create a security. Is the equitable mortgage valid?

(A) No, because the property is situated in a non-notified town which precludes the creation of any form of equitable security interest.
(B) No, because the borrower resides in a non-notified town and the law requires the borrower's permanent residence to be in a notified area.
(C) Yes, because the territorial restriction refers to the place where title deeds are delivered.
(D) Yes, but only if the State Government of Uttar Pradesh issues a specific notification for that transaction in the official gazette.

Oct/Nov 2011

43. Section 50 of the Registration Act allows a registered mortgage priority over an unregistered one. Which of the following serves as a recognized exception where a prior unregistered mortgage is NOT affected by a subsequent registered mortgage?

(A) A prior simple mortgage for a principal amount below Rs. 100
(B) A prior mortgage by deposit of title deeds
(C) A prior usufructuary mortgage executed verbally
(D) A prior anomalous mortgage without delivery of possession

May/June 2023

44. Consider the following statements about an Anomalous Mortgage:

I. It must strictly be a mortgage as defined by Section 58 of the Transfer of Property Act.

II. It is negatively defined, meaning it should not be any of the other five listed types of mortgages.

III. It is usually a combination of two mortgages, such as a simple and usufructuary mortgage.

IV. Its forms and features can be determined by custom and local usage.

Which of the above statement(s) is/are correct?

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IV. A certified copy may be accepted if the original is lost and it is ensured no charge is subsisting.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

May/June 2008

78. Which of the following statements regarding the enforcement of a mortgage is incorrect?

(A) A suit for the sale of a mortgaged property must be filed in the Court within whose jurisdiction the property is situated
(B) The final decree is passed immediately upon the filing of the suit without any waiting period
(C) The Court initially passes a preliminary decree directing the mortgagor to pay the debt within a certain period
(D) After the final decree is passed, the mortgagee gets the property sold in execution of the decree

Oct/Nov 2013

79. What is the precise legal meaning of a 'document of title' in the context of immoveable property?

(A) Any government-issued certificate reflecting the physical dimensions of a property
(B) A legal instrument which proves the right of a person to peaceful possession and enjoyment of the property
(C) A revenue receipt acknowledging the payment of property taxes to the local authority
(D) A certified copy of an encumbrance certificate issued by the Central Registry

May/June 2015

80. Consider the following statements concerning documents of title:

I. By virtue of a document of title, a person has a right to peaceful possession.
II. A revenue receipt is sufficient evidence to prove title to property.
III. Copies of title deeds are normally not accepted due to the risk of multiple financing.
IV. The CERSAI registry helps mitigate the risk of hidden prior equitable mortgages.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, and IV

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37. (A) By inserting a covenant in the mortgage deed that grants the mortgagee the power of sale.
Equitable mortgages often face the disadvantage of requiring a lengthy and costly court process for sale. To overcome this, lenders can insert a specific covenant within the mortgage deed that grants the mortgagee the power of sale. This provision allows the bank to sell the property without the need for a court decree, streamlining the recovery process during a default.

38. (D) Each later created right is subject to the rights previously created
The priority of rights over immoveable property is governed by the principle that each later created right is subject to previously created rights. If multiple transfers occur at different times, the earlier interest generally prevails over the later one. This rule ensures that the rights of an earlier transferee are protected against subsequent claims on the same specific property interest.

39. (C) I and III
Priority in Indian mortgage law is generally determined by the time of execution, following the principle that the first in time has a better title. Furthermore, Section 48 of the Registration Act ensures that a prior mortgage created by the deposit of title deeds is protected against any subsequent registered mortgage. Execution dates determine priority among registered documents under Section 47.

40. (D) P-4, Q-2, R-1, S-3
Different mortgage types have distinct characteristics regarding possession and transfer. A simple mortgage involves no delivery of possession, while a usufructuary mortgage requires the delivery of legal possession. An English mortgage involves an absolute transfer subject to re-conveyance, and an equitable mortgage is characterized by the delivery of title deeds to the lender to create a security interest in property.

41. (B) Twelve Years – Time limit for filing suit for foreclosure
The Limitation Act sets specific periods for mortgage-related suits. Article 62 governs suits for the recovery of debt and sale, providing a twelve-year limit. However, the time limit for filing a suit for foreclosure is thirty years under Article 63(a), not twelve years. Correctly matching these periods is essential for determining the maintainability of legal actions in mortgage disputes.

42. (C) Yes, because the territorial restriction refers to the place where title deeds are delivered.
The validity of an equitable mortgage depends on the location where the title deeds are delivered, not the location of the property. If a borrower delivers original title deeds to a bank in a notified town like Mumbai, the mortgage is valid regardless of where the property or the borrower is situated. The territorial restriction applies strictly to the delivery point.

43. (B) A prior mortgage by deposit of title deeds
While Section 50 of the Registration Act generally gives priority to registered documents over unregistered ones, a mortgage by deposit of title deeds is a recognized exception. Because this type of mortgage does not require registration, it is not adversely affected by a subsequent registered mortgage. This protection is specifically provided under Section 48 of the Indian Registration Act.

44. (D) I, II, III, and IV
An anomalous mortgage is a residual category that includes any mortgage not classified as one of the five standard types. It can be a combination of different forms, such as simple and usufructuary mortgages. The features of such mortgages are determined by the contract, local custom, or usage, provided they meet the basic definition of a mortgage under the law.

45. (C) Bank P, as a prior mortgage by deposit of title deeds prevails against any subsequent registered mortgage.
A prior mortgage created by the deposit of title deeds takes priority over any subsequent registered mortgage on the same property. This rule applies even if the subsequent mortgagee was unaware of the earlier equitable interest. Under the Registration Act, the equitable mortgage remains protected because it does not require registration, ensuring the first lender's security interest is legally superior.

46. (B) Only II
To create a valid equitable mortgage, there must be a debt, a deposit of original title deeds,

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10. (A) Rs. 100 and above
Registration of a simple mortgage is a legal necessity whenever the principal amount secured is one hundred rupees or more. This requirement ensures that the public record reflects the encumbrance on the property. Failure to register such a mortgage when the debt meets this threshold renders the security interest legally unenforceable against the property in a court of law.

11. (D) The territorial restriction applies strictly to the location where the deeds are delivered, not where the property is situated
Equitable mortgages involve a deposit of title deeds in specified notified towns to create security. While the property itself can be located anywhere, the act of delivering the documents must occur within the territorial limits defined by the government. The location of the mortgaged property does not dictate where the mortgage can be validly created through the deposit process.

12. (C) There must be a transfer of interest in the property by the owner or lessor
An essential ingredient of any mortgage is the transfer of an interest in specific immoveable property from the owner to the lender. This transfer serves as security for the payment of money advanced or future debts. Physical possession is not universally required for all mortgage types, but the creation of a legal interest in the property is mandatory.

13. (A) It denotes legal possession, where the mortgagor may continue physical occupation as a lessee.
In a usufructuary mortgage, the mortgagor delivers legal possession of the property to the mortgagee. This possession does not always require the lender to physically occupy the premises. Instead, the mortgagor may remain in physical occupation as a lessee or tenant, while the mortgagee maintains the legal right to collect and appropriate the rents and profits generated.

14. (C) The bank can hold Mr. Sharma personally liable for the shortfall as the mortgage binds the mortgagor.
In a simple mortgage, the mortgagor personally binds himself to repay the loan amount. If the sale proceeds from the court-ordered auction are insufficient to satisfy the debt, the bank can hold the borrower personally liable for the remaining shortfall. The lender can pursue other assets of the solvent mortgagor to recover the balance amount through appropriate legal channels.

15. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
An English mortgage includes a personal covenant where the mortgagor binds himself to repay the money on a specific date. The property is transferred absolutely to the mortgagee, subject to re-conveyance upon full repayment. Due to this personal promise, the mortgagee possesses the legal right to sue the borrower and obtain a court decree for the property sale.

16. (C) Both I and II
A charge serves as security for a debt by creating a right over assets in favor of the lender. It provides a source for recovery in the event of a borrower's default. Charges are categorized into fixed and floating types. A fixed charge applies to specific, identifiable assets, while a floating charge covers a changing pool of circulating assets.

17. (A) The absolute transfer is subject to a provision of re-conveyance upon repayment
The English mortgage is characterized by the absolute transfer of the property from the mortgagor to the mortgagee. This transfer is not final but is subject to a specific provision for re-conveyance once the mortgage money is paid on the agreed date. Additionally, the mortgagor binds himself personally to repay the debt, allowing for a decree for sale.

18. (D) I, II, III, and IV
Section 58 of the Transfer of Property Act defines the essential elements of a mortgage. These include the transfer of an interest in specific immoveable property to secure various financial obligations. Such obligations encompass money advanced as loans, existing or future debts, and the performance of engagements that might result in pecuniary liabilities, ensuring comprehensive coverage for lending transactions.

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ANSWERS

1. (D) P-3, Q-2, R-4, S-1
Under the Transfer of Property Act, specific terms define mortgage participants and instruments. The mortgagor is the transferor who provides the security, while the mortgagee is the transferee receiving the interest. Mortgage money represents the secured principal and interest. The mortgage deed is the legal instrument effecting this transfer of interest in specific immoveable property.

2. (C) The mortgagee can sue the mortgagor for the sale of the property if the debt remains unpaid.
In a usufructuary mortgage, the lender recovers the debt specifically through the appropriation of rents and profits from the property. This type of mortgage does not grant the mortgagee the legal right to seek a court-ordered sale or foreclosure. Consequently, the mortgagor bears no personal liability for the debt repayment beyond the property's yielded income.

3. (C) The transfer of interest in specific immoveable property to secure payment of money
The Transfer of Property Act defines a mortgage as the transfer of an interest in specific immoveable property. This transfer is executed to secure the payment of money advanced or to be advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability.

4. (C) English Mortgage – Decree for sale
Mortgage types vary in the remedies available to lenders upon default. For instance, in an English mortgage, the mortgagee has the right to obtain a court decree for the sale of the property to recover the dues. This differs from simple mortgages or usufructuary mortgages, where the procedural rights and personal liability of the mortgagor follow distinct rules.

5. (B) Only II
A simple mortgage requires mandatory registration under the law if the principal amount secured reaches or exceeds one hundred rupees. While the mortgagor binds himself personally to pay the debt, the mortgagee does not have a right to appropriate rents or produce from the property. Instead, the lender must seek a court decree for property sale.

6. (B) The bank can sue XYZ Corporation for the recovery of the money and obtain a decree for sale.
In an English mortgage, the property is transferred absolutely to the mortgagee with a provision for re-conveyance upon repayment. If the borrower defaults, the legal remedy for the bank is to sue for the recovery of the money and obtain a court decree for sale. This process allows the lender to recover the debt from the proceeds.

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7. (B) An interest or right created on assets as security in favour of a lender
A charge is created when an interest or right is established on specific assets as security in favor of a lender. It ensures that the creditor has a legal claim to fall back on if the borrower defaults on the obligation. Unlike a mortgage, it does not necessarily involve a transfer of interest in immoveable property.

8. (A) I and II
A mortgage by conditional sale involves an ostensible sale of the property. The condition that the sale becomes void upon repayment or absolute upon default must be explicitly stated in the document effecting the sale. However, in this specific mortgage form, the mortgagee generally cannot sue the mortgagor personally for repayment of the debt under a covenant.

9. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Banks typically avoid usufructuary mortgages because they lack a personal covenant to repay the debt, making recovery difficult. The lender must rely exclusively on the appropriation of rents and profits, which usually takes a very long time to satisfy the principal and interest. This slow recovery process and lack of personal liability make it unattractive for lenders.

28. (A) The mortgagor binds himself personally to pay the mortgage money
In a simple mortgage, the mortgagor personally binds himself to pay the mortgage money to the lender. Possession of the property is not delivered to the mortgagee, and the lender has no right to sell the property without court intervention. If the borrower defaults, the mortgagee must obtain a court decree to sell the property to recover the outstanding debt.

29. (B) I and III
Under a usufructuary mortgage, the mortgagee relies solely on the rents and profits generated by the property to recover the debt. There is no personal covenant to repay the money, and the lender is prohibited from suing for sale or foreclosure. The mortgage continues until the debt is satisfied through the appropriation of income, with no specific statutory time limit.

30. (D) The loss of the right possessed by the mortgagor to redeem the mortgaged property
Foreclosure is a legal remedy available in certain types of mortgages, such as a mortgage by conditional sale. It involves a court order that effectively extinguishes the mortgagor's right to redeem the property. Once a foreclosure decree is passed, the mortgagor loses the legal ability to reclaim the property by paying the debt, and the mortgagee's ownership becomes absolute.

31. (C) A mortgage which does not fall under any of the other five explicitly recognized types of mortgages.
An anomalous mortgage is defined as any mortgage that does not fit into the five other specific categories: simple, conditional sale, usufructuary, English, or deposit of title deeds. It often arises from a combination of different mortgage types or unique local customs. The rights and liabilities of the parties are determined by the specific terms of the mortgage deed itself.

32. (B) The legal mortgage prevails because where law and equity conflict, the law prevails.
In English law, when a conflict arises between a prior equitable mortgage and a subsequent legal mortgage, the legal interest generally takes precedence. This is based on the legal maxim that where law and equity are in conflict, the law prevails. The legal mortgagee must have acquired the interest for value and without notice of the prior equitable interest.

33. (B) I and III
Equitable mortgages require a court decree for sale in case of default, which is often expensive and time-consuming. Banks can mitigate this by including a covenant in the mortgage deed that grants the mortgagee the power of sale without court intervention. However, claims from trust beneficiaries typically prevail over equitable mortgages if the borrower holds the title deeds as a trustee.

34. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 47 of the Registration Act provides that a registered document operates from the time of its execution, rather than the date of its registration. Consequently, if two documents are executed at different times but registered later, the one executed first holds priority. This rule ensures that the chronological order of execution determines the legal precedence of competing registered instruments.

35. (A) Equitable Mortgage – Mandatory registration of the title deposit
An equitable mortgage is created simply by the deposit of title deeds and does not require mandatory registration to be valid. In contrast, a simple mortgage involves a personal bond from the mortgagor, and a usufructuary mortgage allows the lender to retain possession. A mortgage by conditional sale involves an ostensible sale that becomes absolute if the debt is not repaid.

36. (D) Thirty years from the date the money secured becomes due
The Limitation Act, 1963, specifies the time frames for initiating legal actions regarding mortgages. For a suit for foreclosure of a mortgaged property, the limitation period is thirty years from the date the secured money becomes due. This extended period allows the mortgagee significant time to seek a court decree that extinguishes the mortgagor's right of redemption upon default.

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when the actual registration occurred. This rule is crucial for resolving priority disputes between multiple registered instruments on the same property.

56. (A) I, II, and III
Equitable mortgages offer several advantages for borrowers, including saving on stamp duty and registration charges because they involve minimal formalities. They are convenient and can be created quickly by depositing title deeds. Unlike registered mortgages, they do not provide public visibility, which can be a benefit for customers who prefer to keep their credit arrangements private and avoid public records.

57. (A) Bank 2, because Document Y was executed earlier than Document X.
Section 47 of the Registration Act stipulates that a registered document operates from the date of its execution. Since Document Y was executed on April 15, it takes priority over Document X, which was executed on May 1. The fact that Document X was registered earlier is irrelevant once Document Y is eventually registered, as execution dates determine the order of priority.

58. (A) P-2, Q-1, R-4, S-3
Section 58 of the Transfer of Property Act categorizes mortgages into different subsections. Mortgage by conditional sale is defined in Section 58(c), while English mortgage is under Section 58(e). Usufructuary mortgage is covered by Section 58(d), and anomalous mortgage is described in Section 58(g). Understanding these specific legal classifications is necessary for identifying the rights and remedies associated with each mortgage type.

59. (C) P-3, Q-2, R-4, S-1
Section 48 of the Transfer of Property Act establishes the general rule that the first in point of time prevails. Section 47 of the Registration Act dictates that registered documents operate from execution. Section 50 of the Registration Act gives registered mortgages priority over unregistered ones, while Section 48 protects prior mortgages by deposit of title deeds from subsequent registered mortgages.

60. (B) I, III, IV, and V
In a simple mortgage, the lender cannot sell without court intervention. Usufructuary mortgages involve no personal liability, and English mortgages include a personal covenant to pay. An equitable mortgage remains valid and unaffected by a subsequent registered simple mortgage. However, in a mortgage by conditional sale, the lender's remedy is foreclosure, and they cannot sue for the sale of the property.

61. (A) I, II, III, and IV
Mortgage enforcement is governed by the Civil Procedure Code, specifically Order 34 and Section 16(c). A suit must be filed where the property is located. The process involves a preliminary decree, giving the mortgagor time to pay, followed by a final decree for sale if payment is not made. Various mortgage types, including simple, English, and deposit of title deeds, can be enforced through sale.

62. (B) To minimize misuse by ensuring no prior equitable mortgage or charge is currently subsisting.
Performing a search on the CERSAI registry is a critical step for lenders to minimize the risk of fraud. It helps ensure that no prior equitable mortgage or charge already exists on the property offered as security. This is especially important when original deeds are missing, as it helps identify if those deeds were previously used to secure a loan elsewhere.

63. (C) Order 34
Order 34 of the Code of Civil Procedure, 1908, provides the comprehensive procedural framework for suits relating to mortgages of immoveable property. It details the steps for filing suits for foreclosure, sale, or redemption. The order mandates the issuance of preliminary and final decrees, ensuring a structured process for both lenders and borrowers to settle mortgage debts through the court system.

64. (A) Whether the legal instrument proves the right of a person in a particular property.
A document of title is a legal instrument that serves as proof of a person's right to a specific property. When determining if an instrument qualifies, courts focus on whether it establishes the individual's legal claim and right to

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and a clear intention for those deeds to serve as security. The territorial restriction for creating this mortgage applies only to the place where the documents are delivered, which must be a notified town. It does not apply to the location of the property.

47. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Under Section 48 of the Registration Act, a prior mortgage created by the deposit of title deeds is not affected by a subsequent registered mortgage. This is because the law does not require the registration of a mortgage by deposit of title deeds. Consequently, the earlier created equitable interest maintains priority over later registered interests in the same immoveable property.

48. (B) Statutory mortgage
The Transfer of Property Act explicitly recognizes six types of mortgages: simple, mortgage by conditional sale, usufructuary, English, mortgage by deposit of title deeds, and anomalous mortgages. A statutory mortgage is not one of these recognized categories. Each type has unique characteristics regarding the transfer of interest, delivery of possession, personal liability, and the available legal remedies for the mortgagee.

49. (A) III, I, IV, II
Under Section 47 of the Registration Act, the priority of registered documents is determined by their execution dates rather than their registration dates. Analyzing the provided dates, Document C (February 20) has the highest priority, followed by Document A (March 1), Document D (March 5), and finally Document B (March 10). This chronological sequence of execution establishes the order of legal precedence.

50. (B) I, II, III, and V
Simple mortgages involve personal liability, while usufructuary mortgages allow for debt recovery through rents. In a mortgage by conditional sale, default can lead to an absolute sale via a court decree. Anomalous mortgages can combine different forms, like usufructuary and conditional sale. However, equitable mortgages can be created in any town notified by the government, not just the three presidency towns.

51. (D) P-3, Q-4, R-1, S-2
Different legal actions related to mortgages have specific requirements and limitation periods. A suit for the recovery of mortgage debt is governed by Article 62, while a suit for sale has a twelve-year limit. A suit for foreclosure has a thirty-year limitation period. Creating an equitable mortgage is unique because it requires no specific registration or time limit for its execution.

52. (D) The minor nephew's claim, as the claim of the beneficiary under trust will prevail over any equitable mortgage.
In legal disputes involving trusts and equitable mortgages, the claim of the trust beneficiary generally prevails. If a trustee fraudulently mortgages property held for a beneficiary, the beneficiary's interest is superior to the lender's equitable interest. The bank cannot successfully claim the property against the minor nephew, as the trust's prior equitable claim takes precedence over the later created mortgage.

53. (C) Section 58(f) – Mortgage by deposit of title deeds
Section 58 of the Transfer of Property Act defines various mortgage types. Specifically, Section 58(f) defines a mortgage by deposit of title deeds, which is created by delivering documents of title to a lender in notified towns. Other subsections define simple, usufructuary, English, and conditional sale mortgages, each with distinct legal frameworks regarding the transfer of interest and the rights of parties.

54. (A) I, II, III, and IV
Indian law determines mortgage priority through Section 48 of the Transfer of Property Act and Section 47 of the Registration Act. Generally, earlier created rights prevail, and registered documents operate from their execution date. A suit for sale must be filed within twelve years. However, foreclosure suits are not governed by Article 62 but by separate provisions with a thirty-year limitation.

55. (A) The time of its execution
According to Section 47 of the Registration Act, 1908, once a document is registered, it takes effect from the time it was executed. This means the legal priority and operation of the document are backdated to the execution date, regardless of

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19. (D) The mortgagee can sue for foreclosure if the debt is not repaid within thirty years
A usufructuary mortgagee does not have the right to sue for foreclosure or the sale of the property. The recovery of the debt depends entirely on the appropriation of rents and profits, which can take a very long time. There is no personal liability for the mortgagor, and the lender must wait until the debt is satisfied from income.

20. (A) The mortgagee can sue the mortgagor under a personal covenant for the repayment of the debt
In a mortgage by conditional sale, the mortgagee has no right to sue the mortgagor personally for the repayment of the debt. The transaction consists of an ostensible sale that becomes absolute only if the debt is not paid by a certain date. The remedy available to the mortgagee in this situation is foreclosure, not a personal money decree.

21. (C) Kolkata, Chennai, and Mumbai
The Transfer of Property Act specifies that an equitable mortgage, or mortgage by deposit of title deeds, can be created by delivering documents in certain towns. By default, these towns include Kolkata, Chennai, and Mumbai. Additionally, the State Government has the authority to notify other specific towns where this type of mortgage can be validly executed for securing loans.

22. (B) The principal money and interest of which payment is secured by the mortgage
Mortgage money is specifically defined as the total amount for which the payment is secured through the mortgage agreement. This sum comprises the principal money advanced by the lender along with the interest accrued on that principal. It represents the complete financial obligation that the mortgagor must satisfy to redeem the property and release it from the created security interest.

23. (D) Sell the property directly without the intervention of the Court
In a simple mortgage, the lender does not receive possession of the property and cannot sell the asset privately. To recover the debt upon default, the mortgagee must approach a court to obtain a decree for sale. The property is then sold through the court's intervention, and the proceeds are applied toward the mortgage money and any personal shortfall.

24. (D) The court will dismiss the suit as a usufructuary mortgagee cannot sue for sale or foreclosure.
A usufructuary mortgagee lacks the legal right to initiate a suit for either the sale of the property or foreclosure. The nature of this mortgage limits the lender's recovery to the appropriation of rents and profits until the debt is fully satisfied. Consequently, a court will dismiss any suit filed by a usufructuary mortgagee seeking a decree for sale.

25. (B) No, because the condition must be embodied in the document which effects or purports to effect the sale.
For a transaction to be legally recognized as a mortgage by conditional sale, the specific conditions must be embodied in the document that effects or purports to effect the sale. Oral agreements or separate documents are insufficient to establish this mortgage type under the Transfer of Property Act. Failure to include the condition in the sale deed makes the claim invalid.

26. (D) An interest in the specific immoveable property
A mortgage involves the transfer of an interest in specific immoveable property, which is the core element of the transaction. This interest acts as security for a debt or pecuniary liability. It is distinct from the transfer of absolute ownership or physical possession, as the mortgagor retains the legal title while the mortgagee holds a specific right over the asset.

27. (B) I, II, and IV
An English mortgage features a mortgagor who binds himself personally to repay the debt on a specified date. The property is transferred absolutely to the mortgagee, but this is subject to a provision for re-transfer upon full payment. Because of the personal covenant and the nature of the transfer, the mortgagee is entitled to obtain a court decree for sale.

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possession or enjoyment of the asset. It must clearly demonstrate the ownership or interest that is being transferred or used as security.

65. (C) No, because the limitation period for filing a suit for sale is twelve years from the date the money becomes due.
The limitation period for filing a suit for the sale of mortgaged property is twelve years from the date the mortgage money becomes due. If the debt became due on April 1, 2010, the bank had until April 1, 2022, to initiate legal proceedings. Filing a suit in May 2023 would be barred by the limitation period, making the action unmaintainable.

66. (B) When the original document is lost, and it is ensured that no subsisting charge exists elsewhere
While banks typically require original title deeds to create an equitable mortgage, a certified copy may be accepted under exceptional circumstances. If the original document is lost, a certified copy can be used, provided the bank ensures through due diligence that no other charge or mortgage is subsisting on the property. This risk is further mitigated by searching the CERSAI registry.

67. (C) The court will not order the sale of the property as the condition of the preliminary decree has been met.
In a mortgage suit, a preliminary decree provides the mortgagor a specific period to pay the outstanding debt. If the mortgagor successfully pays the full amount within this timeframe, the condition of the decree is satisfied. Consequently, the court will not proceed to pass a final decree or order the sale of the property, as the debt has been fully discharged.

68. (B) II, IV, I, III
The enforcement of a mortgage through the court follows a specific chronological sequence. First, a suit for the sale of the property is filed. Next, the court passes a preliminary decree directing the debtor to pay within a set time. If payment is missed, the court passes a final decree for sale. Finally, the property is sold in execution of that decree.

69. (D) Assertion (A) is false, but Reason (R) is true.
Banks do not always accept certified copies of title deeds because they carry a high risk of misuse. A property owner could obtain multiple certified copies while keeping the originals, potentially using them to secure several loans from different lenders. This lack of exclusivity makes copies less secure than original documents, which are normally required to establish a valid equitable mortgage.

70. (B) I and III
Documents of title are legal instruments that prove a person's right to a property, including the right to peaceful possession. However, not all property-related documents serve as proof of title. For instance, a revenue receipt, which only acknowledges tax payment, is considered insufficient evidence to prove ownership. Moreover, the evidence provided by such documents is not universally conclusive in all legal situations.

71. (D) No, because the limitation period for filing a suit for foreclosure is thirty years under Article 63(a).
Under Article 63(a) of the Limitation Act, the period for filing a suit for foreclosure is thirty years from the date the secured money becomes due. If the debt became due in 1995, a suit filed in 2020 is well within this thirty-year window. Therefore, the legal action is not barred by limitation, allowing the mortgagee to seek a foreclosure decree.

72. (D) The Court in Jaipur, where the mortgaged property is situated.
Section 16(c) of the Code of Civil Procedure mandates that suits for the sale of mortgaged property must be instituted in the court within whose local jurisdiction the property is situated. Even if the borrower and the bank are located in different cities, the location of the immoveable property determines the appropriate legal venue for filing the recovery suit through sale.

73. (B) To minimize misuse by ensuring no prior equitable mortgage or charge is currently subsisting.
Lenders use the CERSAI registry primarily to detect and prevent the misuse of property documents. By searching the registry, a bank can

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verify if any prior equitable mortgage or charge has been registered against the asset. This process is essential for identifying hidden encumbrances, especially in cases where the borrower might be attempting to obtain multiple loans using the same property.

74. (D) Reject the revenue receipt, as it is insufficient evidence to prove title to property.
A revenue receipt is merely an acknowledgment of tax payment and does not constitute a document of title. It does not prove ownership or the right to transfer an interest in property. Therefore, a bank must reject a revenue receipt when offered as the sole evidence of title for creating an equitable mortgage, as it is legally insufficient to secure the loan.

75. (B) Only II
In the enforcement of a mortgage, the court follows a two-step process by first passing a preliminary decree. This decree specifies the amount due and provides the mortgagor a certain period to pay the debt. Only after the mortgagor fails to make the payment within the given time can the court proceed to pass a final decree for the property's sale.

76. (D) A revenue receipt acknowledging payment of taxes
A document of title must prove a person's legal right to ownership or peaceful possession of a property. Examples include registered sale deeds and recognized transfer instruments. In contrast, a revenue receipt only confirms the payment of taxes to a local authority. It does not establish legal title or the right to the property, making it insufficient for creating an equitable mortgage.

77. (C) II, III, and IV
Normally, banks avoid accepting copies of title deeds because they can be easily duplicated and used for multiple fraudulent financing. However, a certified copy might be considered if the original is lost and no other charge is subsisting. The risk associated with copies is significantly reduced today through the mandatory registration of security interests with the CERSAI registry by lenders.

78. (B) The final decree is passed immediately upon the filing of the suit without any waiting period
The enforcement of a mortgage requires a specific legal process where the court first passes a preliminary decree. This decree allows the mortgagor a waiting period to repay the debt before any further action is taken. A final decree for sale is never passed immediately upon filing. It is only issued if the mortgagor fails to pay within the court-stipulated time frame.

79. (B) A legal instrument which proves the right of a person to peaceful possession and enjoyment of the property
A document of title refers to a legal instrument that provides proof of an individual's right to peaceful possession and enjoyment of a specific property. It establishes the legal basis for ownership or an interest in the asset. Such documents are essential for creating mortgages, as they allow the owner to validly transfer an interest to a lender as security for debt.

80. (B) I, III, and IV
Documents of title grant a person the right to peaceful possession and are usually required in their original form to prevent multiple financing. A revenue receipt is insufficient for proving title. The risk of hidden equitable mortgages is now mitigated by the CERSAI registry, which tracks security interests. These elements together ensure a more secure and transparent system for lending against property.

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CHAPTER 13

Law Relating to Securities and Modes of Charge - II

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Oct/Nov 2011

1. Read the following statements regarding the application of payments under the Indian Contract Act:

I. A payment must be applied to a particular debt if the debtor makes an express intimation to that effect.

II. A payment must be applied to a particular debt if it is made under circumstances implying that it should be so applied.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2024

2. Under the Indian Contract Act, how is a 'Pledge' formally defined?

(A) The transfer of an actionable claim for the purpose of discharging a specific, pre-existing debt.
(B) A charge created on movable property without the delivery of possession to secure financial assistance.
(C) The bailment of goods as security for debt or promise performance.
(D) The right of a banker to retain possession of a customer's securities until a general debt is paid.

Oct/Nov 2005

3. Which of the following statements accurately reflects the rule regarding the application of a payment where the debt to be discharged is not indicated?

(A) The creditor is strictly prohibited from applying the payment to a debt that is barred by the law of limitation.
(B) The creditor is legally mandated to apply the payment to the most recent debt incurred by the debtor.
(C) The creditor may apply the payment to any lawful debt due, including time-barred debts.
(D) The payment must automatically be applied proportionally to all outstanding debts irrespective of their age or nature.

May/June 2014

4. What is the specific legal instrument by which a borrower receives pledged goods or documents of title from the pawnee and undertakes to hold them, or their proceeds, in trust for the lender without destroying the pledge?

(A) A Letter of Hypothecation
(B) A Deed of Assignment
(C) A Trust Receipt
(D) A Garnishee Order

Oct/Nov 2019

5. Read the following statements regarding the transfer of an actionable claim:

I. The transfer shall be effected only by the execution of an instrument in writing signed by the transferor or an authorized agent.

II. The transfer is complete and effectual upon execution, vesting all rights in the transferee regardless of whether notice is given.

III. The transferee must always obtain the transferor's explicit consent before instituting legal proceedings in their own name.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2022

6. Read the following list of entities and answer the question:

I. The absolute owner of the goods.

II. A person in possession of goods under a

unable to return the pledged goods.
2. Accretions to pledged property form an integral part of the pawnee's security.
3. Government seizure cannot extinguish the prior rights of a valid pawnee.
4. Constructive delivery by endorsing railway receipts creates a valid pledge.

(A) P-1, Q-4, R-2, S-3
(B) P-3, Q-2, R-1, S-4
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-4, S-1

Oct/Nov 2012

51. A standard hypothecation document often contains a covenant requiring the borrower to give possession of the goods when called upon to do so by the creditor.
Once the borrower actually surrenders physical possession of the goods to the creditor, what is the legal consequence for the nature of the charge?
(A) The charge is immediately extinguished, and the creditor must execute a new assignment deed.
(B) The hypothecation remains structurally unchanged because the initial agreement was equitable.
(C) The transaction converts into an absolute sale, transferring complete ownership to the creditor.
(D) The hypothecation charge becomes transformed into a valid legal pledge.

May/June 2018

52. Read the following legal scenario and answer the question.
A pawnee gives a formal written notice to a defaulting pawnor indicating the intention to sell the pledged goods. After issuing the notice, the pawnee deliberately delays the sale for several months, during which the market price of the goods falls significantly. The pawnor argues that the pawnee was bound to sell immediately upon giving notice.
What is the correct legal interpretation?
(A) The pawnee is legally bound to sell the goods within seven days of issuing the sale notice to prevent price depreciation.
(B) The delay in selling the goods automatically invalidates the notice, requiring a fresh notice to be issued before any sale.
(C) The pawnee loses the right to recover the balance of the debt due to the deliberate delay in executing the sale.
(D) The notice of sale does not mandate the sale to occur at any particular time.

Oct/Nov 2016

53. Read the following list of precautions:
I. Ensure that the pawnor possesses clear title to the goods.
II. Exercise full and effective control over all the pledged goods.
III. Put up a prominently displayed signboard at the godown indicating the goods are pledged to the bank.
IV. Take reasonable care of the goods as a man of ordinary prudence would under similar circumstances.
V. Make periodical inspections to verify the quality, quantity, and value of the goods.
To mitigate risks and ensure the validity of a pledge, which combination of precautions should a banker take?
(A) I, III, IV, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2007

54. Which of the following does NOT accurately represent a standard drawback or risk associated with lending against hypothecation?
(A) The borrower may fraudulently sell marketable stocks and leave only obsolete items for the banker to realize.
(B) The borrower's physical control over the goods makes the creditor's supervision almost negligible.
(C) Asset realization in case of default is usually a swift and inexpensive legal process.
(D) The borrower may attempt to hypothecate the same stock to multiple bankers simultaneously.

Oct/Nov 2020

55. Under the SARFAESI Act, 2002, how is 'Hypothecation' precisely defined?
(A) A charge on movable property without delivery of possession to the creditor as security.
(B) A charge on immovable property created by depositing title deeds with the creditor.
(C) The physical bailment of goods by a debtor

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the bank for the loan amount.

(C) The pledge is transformed into a hypothecation, giving the buyer primary rights over the physical goods.

(D) The pledge is valid since the bank acted in good faith without notice of the sale.

May/June 2007

12. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option.
Assertion (A): A creditor may apply a payment received from a debtor to a time-barred debt if the debtor omits to intimate which debt is to be discharged.
Reason (R): Where there are no circumstances indicating which debt the payment is to be applied to, the creditor has the discretion to apply it to any lawful debt actually due.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

13. An individual purchases a life insurance policy on their own life and subsequently assigns it to a bank to secure the payment of an existing debt. The individual passes away. How must the bank proceed to recover the amount of the policy?

(A) The bank is entitled to receive the policy amount and can sue on it without the concurrence of the executor.

(B) The bank must obtain the explicit concurrence of the deceased's executor before suing on the policy.

(C) The bank must transfer the policy back to the deceased's estate and claim as an unsecured creditor.

(D) The bank can only claim the surrender value of the policy as of the date of the assignment, not the full death benefit.

May/June 2005

14. Which of the following statements regarding the restrictions on dealing with actionable claims is incorrect?

(A) No Judge connected with any Court of Justice shall buy or traffic in any actionable claim.

(B) No officer of a court of justice shall enforce at their instance any actionable claim they have dealt with.

(C) A legal practitioner is permitted to stipulate for or receive a share in an actionable claim in the normal course of their profession.

(D) The restriction on trading actionable claims applies equally to judges, legal practitioners, and court officers.

Oct/Nov 2008

15. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option.
Assertion (A): As long as a debt secured by a pledge is not extinguished, no other creditor has the right under law to take away the pledged goods or their price.
Reason (R): The special interest in the movable property pledged passes to the pledgee by virtue of the bailment, granting them a prior lien over the property.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2019

16. A debtor owes multiple debts to a creditor, including one specific sum of 567 rupees. The creditor sends a written demand specifically for the payment of 567 rupees. The debtor subsequently remits exactly 567 rupees to the creditor without any accompanying instructions. How must this payment be applied?

(A) Applying the payment to discharge the specific debt of 567 rupees demanded.

(B) The creditor maintains the unilateral discretion to apply the payment to any outstanding lawful debt.

(C) The payment must be distributed proportionally across all currently outstanding debts of equal legal standing.

(D) The payment must be applied to the oldest time-barred debt regardless of the amount specifically demanded.

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Oct/Nov 2014

17. Under the legal principles governing the creation of a pledge, which of the following types of goods CANNOT be the subject of a valid pledge?

(A) Future goods not yet in the pawnor's possession.
(B) Existing goods currently in the physical possession of the pawnor.
(C) Specific and identified goods stored in a public warehouse.
(D) Goods represented by a valid document of title such as a bill of lading.

May/June 2025

18. In the context of the Transfer of Property Act, what constitutes a 'chose in action' or an 'actionable claim'?

(A) A beneficial interest in movable property enforceable only by a legal suit.
(B) A physical asset pledged as security for the repayment of a pre-existing financial obligation.
(C) A contingent liability that arises only upon the future default of a primary borrower or debtor.
(D) A legal notice issued by a court directing a debtor to pay the creditor's dues out of attached funds.

Oct/Nov 2025

19. In a valid contract of pledge, how are the concepts of ownership and interest distributed between the parties?

(A) Full ownership and possession are completely transferred to the pawnee until the debt is repaid.
(B) The pawnee acquires absolute ownership, while the pawnor retains a qualified right of physical possession.
(C) Both ownership and possession remain continuously with the pawnor, while the pawnee holds a floating charge.
(D) Ownership remains with the pawnor, with a qualified interest passing to the pawnee.

May/June 2013

20. Read the following legal scenario regarding the assignment of funds and answer the question.

A financial entity advances funds to a borrower against certain bills. The borrower provides an irrevocable power of attorney in favor of the entity to present and obtain payment of the bills, endorsing a bill and handing it over for collection. Before the entity receives payment, a third party attaches the amount due under the bill.

What is the nature of the entity's right over the fund?

(A) The arrangement amounts to an assignment of the specific fund, which is not revocable and holds priority.
(B) The power of attorney only creates an agency which is overridden by the third party's attachment.
(C) The endorsement creates a pledge of the bills, requiring physical sale of the bills to recover funds.
(D) The entity holds an equitable hypothecation charge that ranks lower than a judicial attachment.

Oct/Nov 2022

21. Read the following statements regarding the conditions for a mercantile agent to create a valid pledge:

I. The agent must be in possession of the goods or documents of title with the consent of the owner.
II. The goods must have been entrusted to the agent in their capacity as a mercantile agent.
III. The agent must create the pledge in the ordinary course of their business as such agent.
IV. The pawnee must act in good faith and have no notice at the time of pledge that the pawnor lacks authority.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2021

22. The principles governing the application of payments when neither party makes an appropriation are prominently defined and corroborated in which of the following landmark legal references?

(A) The Doctrine of Constructive Notice
(B) The Rule in Clayton's Case
(C) The Principle of Equitable Assignment
(D) The Garnishee Order Precedents

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Oct/Nov 2007

23. X owes money to Y. Y executes a written instrument transferring the debt to Z. Y then demands the repayment of the debt from X. X, having received no notice of the transfer to Z, pays the debt to Y.
What is the legal status of X's payment?
(A) The payment is invalid, and Z can successfully sue X to recover the debt again.
(B) The payment is held in trust by X until Z provides formal written notice.
(C) The payment is voidable at the discretion of Z, who can claim it directly from X.
(D) The payment is valid, and Z cannot sue X for the debt.

May/June 2012

24. Read the following legal scenario and answer the question.
A bank lends money to a borrower and takes a symbolic delivery of goods by receiving the keys to the warehouse where the goods are stored. The actual physical delivery of the goods does not occur simultaneously with the lending of the money.
What is the legal standing of this transaction?
(A) The pledge is invalid because actual physical delivery must strictly be simultaneous with the lending of money.
(B) The transaction is classified as a hypothecation rather than a pledge due to the absence of physical movement of goods.
(C) The pledge is voidable at the option of the warehouse owner since constructive delivery requires a formal deed of assignment.
(D) The transaction is a valid pledge as symbolic delivery is legally equivalent to physical delivery.

Oct/Nov 2024

25. Read the following statements regarding the transfer of an actionable claim and related rules:
I. The transferee of an actionable claim takes it subject to all liabilities and equities to which the transferor was subject.
II. An assignee can possess better and superior rights than those originally held by the assignor.
III. If an assigned bond was executed under circumstances entitling the debtor to have it cancelled, the assignee cannot enforce it even if purchased for value without notice.
IV. The liability of the transferee is determined in respect thereof at the date of the transfer.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2017

26. Under the Indian Contract Act, when neither party makes an express appropriation of a payment, in what order must the payment be applied to discharge outstanding debts?
(A) Ascending order of the debt amounts, starting with the smallest individual debt recorded in the ledger.
(B) Descending order of the interest rates attached to the debts to minimize the debtor's overall liability.
(C) Proportionally across all debts first, followed by discharging the oldest debt in the chronological ledger.
(D) Discharging the debts in chronological order, whether barred by limitation or not.

Oct/Nov 2009

27. Which of the following statements accurately describes the banker's rights when pledged goods are released to a borrower under a trust receipt?
(A) The banker's rights as a pawnee remain unaffected.
(B) The release of goods automatically terminates the pledge, converting the bank's status to an unsecured creditor.
(C) If the borrower becomes insolvent, the Official Receiver is legally entitled to claim the goods free of the bank's interest.
(D) The trust receipt transfers absolute ownership of the goods to the borrower, leaving the bank with only a right to set-off.

May/June 2006

28. The rules governing the transfer of an actionable claim under Section 130 of the Transfer of Property Act do NOT apply to the transfer of which of the following?
(A) A marine or fire policy of insurance
(B) A debt owed by a corporate entity
(C) An unsecured promissory note
(D) A beneficial interest in movable property

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Oct/Nov 2006

29. Which of the following pairs regarding the terminology of a pledge is strictly incorrect?

(A) Pawnor — The person whose goods are bailed as security.

(B) Pawnee — The person who takes the goods as security.

(C) Pawnor — The creditor who receives the goods and advances the loan.

(D) Bailment — The delivery of goods for the purpose of providing security.

May/June 2011

30. A debtor holds a valid counter-claim against an assignor. The assignor explicitly states in the agreement of assignment that no claim will be raised against the assignee. If the assignee has no knowledge of the counter-claim, how does this affect the assignee's right to receive the debt amount?

(A) The assignee's right overrides the counter-claim because they had no prior knowledge of it.

(B) The assignee's right is completely shielded by the explicit statement in the assignment agreement.

(C) The assignee loses all rights to the assigned debt, and the assignment becomes legally void ab initio.

(D) The assignee's right is subject to the debtor's counter-claim.

Oct/Nov 2010

31. Read the following legal scenario regarding a sale notice and answer the question.

In accordance with judicial interpretations, which of the following pairs correctly represents the requirements of a sale notice issued by a pawnee?

(A) Amount Due — Must be explicitly quantified; Proceeding Notice — Must be preceded by a separate default warning.

(B) Nature of Notice — An intimation of the proposed sale; Signature Requirement — Must be signed jointly by pawnee and pawnor.

(C) Nature of Notice — An intimation of the proposed sale; Signature Requirement — Need not be signed by the pawnee.

(D) Nature of Notice — A strict legal summons; Signature Requirement — Must be notarized and signed by the pawnee.

May/June 2009

32. Read the following legal scenario and answer the question.

A company holds movable stock and machinery that are hypothecated to a bank. The 'Payment of Wages Inspector' obtains a warrant to sell these assets to recover wage arrears owed by the company. The bank objects, claiming priority as a secured creditor.

What is the court's likely determination regarding the priority of the bank's charge?

(A) Wage arrears represent a sovereign statutory claim that automatically nullifies any prior equitable charge held by the bank.

(B) The bank's ownership interest prioritizes its claim over assets seized for wage arrears.

(C) Hypothecated goods remain fully vulnerable to any unsecured creditor claims because physical possession was never transferred to the bank.

(D) The bank and the wage inspector must share the proceeds of the asset sale proportionally, ignoring the timing of the charge creation.

Oct/Nov 2021

33. Read the following legal scenario and answer the question.

A firm entrusts boxes of menthol crystals to the railways for transport and is issued railway receipts. The firm endorses these railway receipts in favor of a bank as security for an advance. The railways subsequently fail to deliver the goods.

What is the bank's legal position?

(A) The bank is treated only as an unsecured creditor and cannot file a suit against the railways directly.

(B) The bank has all the rights of an owner and can recover the value of the goods.

(C) Endorsement of railway receipts does not constitute constructive delivery; hence, no valid pledge exists.

(D) The bank must first seize the physical goods before it can initiate any legal action against the transport authority.

May/June 2015

34. Read the following list of precautions:

I. Ensuring the borrower confines their hypothecation borrowings to only one bank and obtaining a written undertaking to this effect.

II. Prominently displaying boards on the

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premises stating that the goods are hypothecated to the specific bank.

III. Completely avoiding the collection of periodical stock statements and relying entirely on surprise annual audits.

Which combination of precautions is standardly implemented by banks to counter the risks of hypothecation?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2018

35. Read the following legal scenario and answer the question.

A lender gave a loan to a borrower and obtained a pledge of aero-scraps. The borrower failed to repay the loan, and the lender filed a suit for recovery. However, during the proceedings, it was established that the lender was no longer in a position to deliver the pledged aero-scraps back to the borrower.

What is the legal outcome?

(A) A pawnee cannot obtain a decree for recovery if unable to return the pledged goods.
(B) The lender is granted a decree for recovery of money, and the borrower must bear the loss of the goods.
(C) The lender can substitute the lost goods with equivalent items and proceed with the recovery suit.
(D) The court will convert the pledge into a hypothecation to facilitate the recovery of the monetary debt.

May/June 2016

36. Read the following list of clauses:

I. A declaration that the borrowers are the absolute owners of the property with full authority to hypothecate.
II. An undertaking that all money realized by way of sale proceeds will be held exclusively as the bank's property.
III. An undertaking to insure the goods against specified risks at the borrower's cost.
IV. A clause stating that the security shall be a continuing security for the balance due from time to time.
V. A provision barring the banker from exercising any right of general lien over the borrower's other assets.

Which of the above are typically included in a comprehensive Deed of Hypothecation?

(A) I, II, III, and IV only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2013

37. Under the Contract Act, the pawnee's 'Right of retainer' permits the pawnee to retain the pledged goods for which of the following specific purposes?

(A) The principal debt, interest, and necessary expenses for preservation.
(B) Only for the non-payment of the principal debt amount.
(C) For the non-payment of the debt, but excluding any interest accrued on the debt.
(D) For the recovery of extraordinary expenses incurred, but excluding the primary loan amount.

May/June 2023

38. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option.

Assertion (A): If during a pledge there is an increase in the value of the goods pledged through dividends or bonuses, the pawnee is required to return these accretions only when the pledged goods are returned.

Reason (R): Accretions form an integral part of the pledged property, and the pawnee is entitled to the increase as part of their security.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2017

39. Read the following list of scenarios:

I. When a loan is to be raised against work-in-progress materials.
II. When lending against goods in a shop or showroom required for day-to-day business.
III. When lending against goods like raw materials in a rice mill that require constant

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handling.

IV. When a bank requires absolute physical control and custody of highly volatile, precious commodities.

In which of the above scenarios is hypothecation typically resorted to as the preferred mode of creating a charge?

(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2020

40. When documenting an agreement of pledge, which of the following clauses is typically and correctly included to protect the banker's interests?

(A) A declaration that the banker holds no right of general lien over the goods once the specific pledge debt is repaid.
(B) An undertaking by the pawnor that the security will operate under the strict application of the rule in Clayton's case.
(C) A promise by the pawnor to hold the bank fully responsible for any default by a broker employed to sell the goods.
(D) A declaration that securities cover existing and future debts, interest, and expenses.

Oct/Nov 2015

41. Match the distinct characteristics (List I) with their corresponding mode of charge (List II).

List I: (Characteristics)

P. Setting aside funds received from a debtor for paying a specific debt.
Q. Transfer of an actionable claim through a signed written instrument.
R. Bailment of goods to secure payment, requiring actual or constructive delivery.
S. Equitable charge on movable property without delivery of possession.

List II: (Mode of Charge)

1. Pledge
2. Assignment
3. Appropriation
4. Hypothecation

(A) P-2, Q-3, R-4, S-1
(B) P-3, Q-2, R-1, S-4
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-4, R-1, S-2

May/June 2008

42. Which of the following statements regarding the pawnee's rights to retain and sell the pledged goods is demonstrably incorrect?

(A) While the pawnee retains the goods, he does not sell them, and when he sells them, he does not retain them.
(B) The pawnee has the right to sue on the debt concurrently with their right to retain or sell the pawn.
(C) The right to retain and the right to sell are concurrent and can be exercised at the same time.
(D) The retention of the pawn as collateral security does not exclude the pawnee's right to file a suit on the debt.

Oct/Nov 2011

43. In what fundamental respect does a hypothecation legally differ from a mortgage of property?

(A) Hypothecation requires the physical transfer of the asset to the lender, whereas a mortgage allows the borrower to retain possession.
(B) A mortgage transfers interest in property, whereas hypothecation creates an equitable charge.
(C) Hypothecation applies exclusively to immovable properties, while a mortgage is used solely for movable goods.
(D) Hypothecation relies on a fixed charge from inception, whereas a mortgage relies exclusively on a floating charge over corporate assets.

May/June 2024

44. Read the following legal scenario and answer the question.

A bank lends money against a valid pledge of sugar. Subsequently, the Government seizes the bags of sugar directly from the borrower's premises and sells them to recover outstanding government dues. The bank sues the Government for the recovery of the moneys due to it.

How is the bank's right as a pawnee affected?

(A) The Government's sovereign right to recover tax dues automatically supersedes the bank's rights as a pawnee.
(B) The bank must forfeit its claim over the sugar and seek an alternative unsecured remedy against the borrower.

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(C) The pledge is rendered void by the Government seizure, strictly limiting the bank's recovery to the borrower's remaining unattached assets.
(D) The bank's right as a pawnee cannot be taken away, and the Government is liable to pay.

Oct/Nov 2005

45. Arrange the following procedural steps for a bank establishing a hypothecation charge with a corporate borrower in the correct chronological sequence:
1. Registration of the charge with the Registrar of Companies to establish constructive notice.
2. Execution of a comprehensive Deed of Hypothecation containing the necessary covenants and schedules.
3. The borrower submitting a request for the grant of accommodation against the security of hypothecation.
4. Displaying prominent boards on the storage premises declaring the bank's charge over the goods.

(A) 2, 3, 1, 4
(B) 3, 4, 2, 1
(C) 3, 2, 4, 1
(D) 4, 3, 2, 1

May/June 2014

46. Read the following statements regarding the rights of a pawnee:
I. A pawnee cannot claim a lien over the pledged goods for extraordinary expenses incurred in taking care of them, but can only sue to recover such expenses.
II. In the absence of a contract to the contrary, a pawnee cannot retain the goods for a debt other than the one for which they were pledged.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2019

47. Under the Companies Act, 2013, a floating charge on the undertaking or property of a company becomes invalid under certain circumstances if it was created within a specific period preceding the commencement of the winding up. What is this period?
(A) Three months
(B) Six months
(C) Twelve months
(D) Twenty-four months

May/June 2022

48. Read the following list of obligations:
I. Disclosing to the pawnee any material faults or extraordinary risks in the goods to which the pawnee may be exposed.
II. Reimbursing the pawnee for any expenses incurred for the preservation of the pledged goods.
III. Making good the balance amount if a forced sale of the goods realizes less than the total debt due.

Which of the above are recognized duties of a pawnor in a contract of pledge?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2023

49. Which of the following statements inaccurately describes the structural features of a hypothecation transaction?
(A) The creditor receives a transfer of legal interest granting immediate absolute ownership.
(B) The goods remain strictly in the physical possession of the borrower.
(C) Neither ownership nor possession of the property is transferred to the creditor at the time the charge is created.
(D) The borrower signs documents creating an equitable charge in favor of the creditor.

May/June 2010

50. Match the landmark legal cases (List I) with their corresponding core judicial principles regarding pledge (List II).
List I: (Legal Cases)
P. Morvi Mercantile Bank Ltd. vs Union of India
Q. Lallan Prasad vs Rahmat Ali
R. Bank of Bihar vs State of Bihar
S. Standard Chartered Bank vs Custodian
List II: (Judicial Principles)
1. Pawnee cannot get a decree for recovery if

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voidable contract, provided the contract has not been rescinded at the time of the pledge.

III. A seller of the goods who continues to be in possession of the goods even after the sale, provided the pawnee acts in good faith.

Who among the above has the legal authority to create a valid pledge?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2023

7. What is the precise legal meaning of appropriation in the context of a debtor and creditor relationship?

(A) The consolidation of multiple distinct debts into a single unified loan account for easier repayment.
(B) Applying a specific payment received from a debtor to discharge a particular outstanding debt.
(C) The formal transfer of actionable claims and related rights from a primary creditor to a secondary assignee.
(D) The involuntary seizure of collateralized goods by the creditor upon the debtor's ultimate default in repayment.

May/June 2010

8. Which of the following pairs correctly identifies the parties involved in the process of assignment?

(A) Assignor: The person who receives the rights; Assignee: The person who transfers the rights.
(B) Assignor: The person who prefers to transfer rights; Assignee: The person to whom rights are transferred.
(C) Assignor: The debtor who owes the money; Assignee: The creditor who originally lent the funds.
(D) Assignor: The judicial officer enforcing the claim; Assignee: The legal practitioner representing the party.

Oct/Nov 2012

9. Read the following statements regarding the recognized methods of delivering goods to constitute a valid pledge:

I. Handing over the key of the godown in which the goods are kept.
II. Attornment by a public warehouseman acknowledging they hold goods on behalf of the pawnee.
III. Handing over documents of title to goods, such as a railway receipt or bill of lading.
IV. The pawnor acknowledging that they hold the goods thereafter for and on behalf of the pawnee.
V. Physical transfer of the goods from the custody of the pawnor to the pawnee.

Which of the above statement(s) is/are correct?

(A) I, II, III, and V only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2018

10. Match the specific sections of the Transfer of Property Act (List I) with their corresponding subject matter (List II).

List I: (Sections of the Transfer of Property Act)

P. Section 130
Q. Section 131
R. Section 132
S. Section 136

List II: (Subject Matter)

1. Notice of transfer of an actionable claim must be in writing.
2. Liability of the transferee of an actionable claim being subject to equities.
3. Incapacity of judges and legal practitioners to trade in actionable claims.
4. Execution of an instrument in writing to effect the transfer of an actionable claim.

(A) P-1, Q-4, R-3, S-2
(B) P-3, Q-2, R-4, S-1
(C) P-4, Q-1, R-2, S-3
(D) P-2, Q-3, R-1, S-4

Oct/Nov 2016

11. A seller sells a batch of industrial goods to a buyer but retains physical possession of the goods in their godown. Before delivering the goods to the buyer, the seller pledges the same goods to a bank for a loan. The bank accepts the pledge in good faith, entirely unaware of the previous sale to the buyer. What is the legal status of the bank's pledge?

(A) The pledge is invalid because the seller lost all rights to the goods immediately upon the sale to the buyer.
(B) The pledge is voidable, and the buyer can reclaim the goods without compensating

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to a creditor to secure the performance of a promise.

(D) The absolute transfer of ownership of machinery to a lender while the borrower retains operational control.

May/June 2005

56. In the event that a pawnor makes a default in payment, the pawnee is legally equipped with specific rights. Read the following actions:

I. Sue the pawnor upon the debt or promise.
II. Retain the pawned goods as collateral security.
III. Sell the goods without any prior intimation to the pawnor.
IV. Sell the goods after giving the pawnor reasonable notice of the sale.
V. Sue on the debt concurrently while retaining the pawn.

Which of the above action(s) can the pawnee lawfully take?

(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2008

57. When the borrower is a company registered under the Companies Act, the charge by way of hypothecation must initially be registered within a specific timeframe from its creation to avoid being void against the liquidator. What is this primary statutory period?

(A) 15 days
(B) 30 days
(C) 45 days
(D) 60 days

May/June 2019

58. Which of the following is NOT considered a standard advantage of securing a loan through a pledge of goods?

(A) The pawnor retains unrestricted use of goods for daily operations while the debt is outstanding.
(B) The goods remain in the exclusive custody of the pawnee, making it easy to sell them in case of default.
(C) Close supervision by the pawnee makes it highly difficult for the pawnor to manipulate the pledged stocks.
(D) The formalities and documentation connected with a pledge are substantially simpler than those required for a mortgage.

Oct/Nov 2014

59. Read the following statements regarding the granting of hypothecation facilities:

I. The hypothecation facility is normally granted only to customers of undoubted integrity because the charge is equitable without possession.
II. There is relatively less risk when hypothecation is granted to a joint stock company because the charge is registered with the Registrar of Companies, constituting constructive notice.

Which of the statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2025

60. Shares and debentures are pledged with a bank. During the tenure of the pledge, the shares generate bonus issues and dividends, thereby increasing the value of the pledged goods. The pawnor defaults on the payment, and the bank seeks to sell the shares along with the accrued bonus and dividends.

What is the bank's entitlement regarding these accretions?

(A) The accretions strictly belong to the pawnor and must be handed over immediately, independent of the debt repayment.
(B) The pawnee is entitled to accretions as part of the security and may sell them with the property.
(C) Accretions must be surrendered to the issuing company until the dispute over the primary debt is resolved in court.
(D) The pawnee can only retain the dividends to offset interest but must return the bonus shares regardless of default.

Oct/Nov 2025

61. A customer visits a bank to update their passbook and inadvertently leaves a packet containing share certificates and life insurance policies on the branch manager's desk. The customer has an outstanding unsecured loan with the bank.

Can the bank exercise a right of lien over these inadvertently left documents?

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38. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Any increase or profit arising from pledged goods, such as bonus shares or dividends, is considered an accretion to the security. The pawnee is entitled to hold these accretions as part of the pledged property. Consequently, the pawnee is only obligated to return these increases when the pawnor settles the debt and the original pledged goods are released.

39. (A) I, II, and III only
Hypothecation is the preferred mode of charge when lending against items that must remain in the borrower's possession for business operations. This includes work-in-progress materials, goods in retail showrooms, or raw materials requiring constant handling in factories. In contrast, for highly volatile or precious commodities, banks usually prefer the physical control and safety provided by a formal pledge.

40. (D) A declaration that securities cover existing and future debts, interest, and expenses.
To maximize security, pledge agreements often include a clause stating that the pledged assets cover all existing and future debts, interests, and expenses. This ensures the bank's interest remains protected even if the nature or amount of the borrower's liability changes. Such declarations provide a broad legal foundation for the bank to retain the goods until all obligations are met.

41. (B) P-3, Q-2, R-1, S-4
Appropriation involves applying payments to specific debts. Assignment is the transfer of actionable claims via written instruments. A pledge requires the bailment of goods through actual or constructive delivery to serve as security. Hypothecation creates an equitable charge on movable property while allowing the borrower to retain possession. These distinct mechanisms provide various ways for creditors to secure their interests.

42. (C) The right to retain and the right to sell are concurrent and can be exercised at the same time.
While a pawnee has the right to both retain and sell pledged goods, these actions are mutually exclusive in their execution. Retaining means holding the goods as collateral, whereas selling means disposing of them to recover the debt. A pawnee cannot simultaneously hold the same goods and sell them; once sold, the right of retention over those specific items naturally ceases.

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43. (B) A mortgage transfers interest in property, whereas hypothecation creates an equitable charge.
A mortgage involves the transfer of an interest in specific property from the mortgagor to the mortgagee as security for a loan. In contrast, hypothecation creates only an equitable charge on movable property without transferring possession or a legal interest in the title at the time of creation. This makes hypothecation a more flexible but slightly riskier arrangement for lenders.

44. (D) The bank's right as a pawnee cannot be taken away, and the Government is liable to pay.
As established in Bank of Bihar vs. State of Bihar, a pawnee's right to pledged goods is a secured interest that cannot be extinguished by the state's seizure of property for tax recovery. The government must satisfy the pawnee's debt before it can apply the proceeds to its own dues. This ruling upholds the priority of secured creditors' rights.

45. (C) 3, 2, 4, 1
The process of establishing a hypothecation charge begins with the borrower's request for accommodation. Once approved, the parties execute a comprehensive Deed of Hypothecation. Following this, the bank ensures practical safeguards, such as displaying signboards on the borrower's premises. Finally, for corporate borrowers, the charge is registered with the Registrar of Companies to provide constructive notice to third parties.

46. (C) Both I and II
Section 174 of the Indian Contract Act states that a pawnee cannot retain goods for any debt other than the one specifically pledged for, unless a contract exists to the contrary. Additionally, Section 175 specifies that while a pawnee can sue to recover extraordinary expenses incurred for the goods' preservation, these expenses do not grant a right of lien.

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without adjustment.
(D) The bank must seek the customer's written consent before utilizing the funds to satisfy either the court order or the loan.

Oct/Nov 2024

67. Two partnership firms, composed of the exact same set of partners, maintain separate accounts with a bank. One firm takes an overdraft, while the other firm has a substantial credit balance. How can the bank handle the overdraft based on legal principles of lien?
(A) The bank is strictly prohibited from adjusting the balances because the firms operate under two separate names.
(B) The bank must obtain a court order before it can link the liabilities of the distinct partnership entities.
(C) The bank can enforce its lien as mutual demand exists in the same capacity.
(D) The bank can only freeze the credit account but cannot appropriate the funds towards the overdraft.

May/June 2017

68. In legal jurisprudence, the banker's right of general lien over goods and securities is regarded as amounting to something more than an ordinary lien. What is this specific elevated status?
(A) An equitable mortgage
(B) An implied pledge
(C) A floating charge
(D) An absolute assignment

Oct/Nov 2009

69. Match the account configurations (List I) with the correct status regarding the availability of the right of set-off to the banker (List II).
List I: (Account Configurations)
P. Deposit: Dividend account of a company / Loan: Loan account of a company
Q. Deposit: Single person / Loan: Jointly with others
R. Deposit: Joint account / Loan: One of the joint holders
S. Deposit: Minor operated by guardian / Loan: Guardian
List II: (Availability of Right of Set-off)
1. Available
2. Not available (Joint vs Individual)
3. Not available (Minor vs Guardian)
4. Not available (Dividend vs Loan)
(A) P-1, Q-4, R-3, S-2
(B) P-2, Q-3, R-4, S-1
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-1, R-2, S-3

May/June 2006

70. Read the following list of rules regarding a valid set-off:
I. A banker cannot set-off a debt due upon a loan account repayable on a specified date against a current account credit balance until that due date arrives.
II. The parties involved must be mutually indebted to each other in the exact same right.
III. The credit balance in a partner's personal account can be set-off against the debit balance of a partnership account since liability is joint and several.
IV. The right of set-off can be exercised unconditionally in a joint account even if the debt is due against only one of the joint account holders.
Which of the above rule(s) is/are correctly stated?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2006

71. Which of the following correctly describes the operation of a 'continuing security' clause within a Deed of Hypothecation securing a cash credit facility?
(A) If the cash credit account temporarily results in a credit balance, the security is considered completely exhausted and legally closed.
(B) The security automatically converts into a fixed deposit collateral whenever the account reaches a zero balance.
(C) The borrower must execute a new hypothecation deed every time the account transitions from a credit to a debt balance.
(D) The security is not exhausted merely because the account shows a credit balance at any given time.

May/June 2011

72. Read the following conditions:
I. The property must come into the hands of

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(A) Yes, because the bank is a creditor and the documents represent valuable security.
(B) Yes, because the documents were physically found within the bank's premises.
(C) No, as the securities were not provided in the normal course of banking business.
(D) No, because share certificates are strictly immune from any form of lien under the Companies Act.

May/June 2013

62. Read the following list of events:
I. On the death of the customer.
II. On the insanity or insolvency of the customer.
III. On the winding up of a company.
IV. On receipt of a garnishee order.
V. On receipt of a notice of assignment of a customer's credit balance.
Under which of the above circumstances does an automatic right of set-off arise for a banker, superseding the need for explicit notice?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2022

63. Read the following list of undertakings:
I. To pay all rents, taxes, and outgoings in respect of the immovable property where the hypothecated goods are kept.
II. To strictly maintain the agreed margin of security at all times during the continuance of the security.
III. To permit the bank or its authorized agent to inspect the hypothecated goods and all relevant records at all times.
IV. To unilaterally dispute the correctness of any sum demanded by the banker regardless of the account statement.
Which of the above are standardly included in the express undertakings of a borrower under a hypothecation agreement?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

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May/June 2021

64. Which of the following statements regarding the application of the right of set-off by a banker is incorrect?
(A) A current account credit balance can be set-off against a contingent liability of an immature bill.
(B) A debt accruing due cannot be set-off against a debt that is already due.
(C) Both debts involved in the set-off process must be for certain and specific sums.
(D) The banker cannot set-off a credit balance in the account of a guarantor until the liability of the guarantor is firmly determined.

Oct/Nov 2007

65. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option.
Assertion (A): Banks face comparatively less risk when granting hypothecation facilities to a joint stock company than to a sole proprietorship.
Reason (R): The charge created by a joint stock company must be registered with the Registrar of Companies, which constitutes a constructive notice to the world at large.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2012

66. A bank holds a current account for a customer with a substantial credit balance. Suddenly, the bank is served with a valid garnishee order by a court attaching the funds in the customer's account to satisfy a third-party judgment. At that exact moment, the customer also owes an overdue, unsecured loan to the bank.
What immediate legal mechanism arises for the bank concerning the attached account?
(A) The bank must unconditionally surrender the entire credit balance to the court and separately sue the customer for the loan.
(B) An automatic right of set-off arises, allowing the bank to adjust its overdue loan first.
(C) The bank's right of lien converts into a pledge, freezing the account indefinitely

May/June 2016

78. Which of the following pairs incorrectly matches a legal concept with its core defining attribute?

(A) Pledge — Bailment of goods requiring delivery of possession.

(B) Hypothecation — Charge created with mandatory transfer of physical possession to the creditor.

(C) Banker's Lien — An implied pledge over goods possessed in the ordinary course of banking.

(D) Assignment — Transfer of rights or benefits regarding actionable claims.

Oct/Nov 2013

79. How does the distinction between an ordinary lien and an implied pledge practically manifest when a banker deals with negotiable instruments such as bills, notes, and cheques?

(A) The banker must return the instruments immediately upon demand without applying them to the debt.

(B) The banker is a holder for value and can recover amounts to the extent of the lien.

(C) The banker is restricted to merely holding the paper documents without any power to realize their cash value.

(D) The banker must sell the negotiable instruments through a public auction before claiming the proceeds.

May/June 2023

80. In the following question, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option.

Assertion (A): A bank can lawfully set-off the credit balance in the personal account of a sole proprietor against the debit balance of their sole proprietary concern.

Reason (R): For a valid set-off, the parties must be mutually indebted in the same right, and a sole proprietor and their proprietary concern represent the same legal entity.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

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ANSWERS

1. (C) Both I and II
Sections 59 and 60 of the Indian Contract Act deal with the appropriation of payments. Under section 59, if a debtor owing several distinct debts makes a payment with an express intimation or under circumstances implying that the payment should be applied to a specific debt, the creditor must apply it accordingly. This ensures the debtor's intent is respected.

2. (C) The bailment of goods as security for debt or promise performance.
Section 172 of the Indian Contract Act defines a pledge as the bailment of goods to serve as security for the payment of a debt or the performance of a promise. In this transaction, the person who delivers the goods is called the pawnor, and the person to whom the goods are delivered is known as the pawnee.

3. (C) The creditor may apply the payment to any lawful debt due, including time-barred debts.
According to Section 60 of the Indian Contract Act, when a debtor makes a payment without indicating which debt is to be discharged and no circumstances imply its application, the creditor has the discretion to apply it to any lawful debt actually due. This include debts that are barred by the law of limitation regarding the suit's commencement.

4. (C) A Trust Receipt
A trust receipt is a specialized legal document used when a pawnee releases pledged goods or documents of title to the pawnor for a specific purpose, such as sale. The pawnor acknowledges that they hold these goods or their sale proceeds in trust for the lender, ensuring the original pledge remains legally intact despite the temporary change in possession.

5. (A) I and II only
Section 130 of the Transfer of Property Act stipulates that transferring an actionable claim requires a written instrument signed by the transferor. Upon execution, the transfer becomes effectual, vesting all rights and remedies in the transferee. Notice to the debtor is not a prerequisite for the transfer's validity, and the transferee can sue in their own name.

6. (D) I, II, and III
Beyond the absolute owner, several other parties can create a valid pledge under the Indian Contract Act. These include mercantile agents, individuals in possession under voidable contracts before rescission, and sellers or buyers who remain in possession of goods after a sale. These provisions protect lenders who act in good faith and without notice of any title defects.

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(B) Applying a specific payment received from a debtor to discharge a particular outstanding debt.
In the context of a debtor and creditor relationship, appropriation refers to the process of applying a particular payment received from a debtor to discharge a specific outstanding debt. Sections 59 to 61 of the Indian Contract Act outline the rules for such application, whether directed by the debtor, decided by the creditor, or determined by chronological order.

8. (B) Assignor: The person who prefers to transfer rights; Assignee: The person to whom rights are transferred.
Assignment involves the transfer of a right, property, or debt from one person to another. The individual who initiates the transfer of their rights or benefits is known as the assignor. Conversely, the person who receives these transferred rights is called the assignee. This legal mechanism is commonly used by banks to secure loans against life insurance or book debts.

9. (D) I, II, III, IV, and V
A valid pledge requires the delivery of goods, which can be actual or constructive. Methods include physical transfer, symbolic delivery such as handing over warehouse keys, or endorsing documents of title like railway receipts. Additionally, attornment by a third party or the pawnor acknowledging they now hold the goods for the pawnee also constitutes a legally valid delivery.

10. (C) P-4, Q-1, R-2, S-3
The Transfer of Property Act governs actionable claims through various sections. Section 130 details the execution of written instruments for transfers. Section 131 mandates that notices of transfer be in writing. Section 132 subjects the transferee to existing equities. Finally, Section 136 prohibits judges and legal practitioners from trading in actionable claims to prevent conflicts of interest and misconduct.

11. (D) The pledge is valid since the bank acted in good faith without notice of the sale.
Under Section 30 of the Sale of Goods Act, if a seller continues in possession of goods after sale and pledges them to a third party acting in good faith without notice of the previous sale, the pledge is valid. This exception protects bona fide lenders who rely on the apparent authority and possession of the seller.

12. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
When a debtor fails to specify which debt a payment should discharge, Section 60 of the Indian Contract Act empowers the creditor to apply the funds to any lawful debt due. This includes debts where legal recovery is barred by limitation. The creditor's discretion arises specifically because no instructions or circumstances were provided by the debtor during the transaction.

13. (A) The bank is entitled to receive the policy amount and can sue on it without the concurrence of the executor.
When a life insurance policy is assigned to a bank to secure a debt, the bank becomes the legal owner of the policy's benefits. Under the Transfer of Property Act, the assignee can sue for the policy amount in their own name without needing the consent or participation of the deceased's executors. This ensures the bank's security remains effective.

14. (C) A legal practitioner is permitted to stipulate for or receive a share in an actionable claim in the normal course of their profession.
Section 136 of the Transfer of Property Act imposes strict prohibitions to maintain judicial integrity. Judges, court officers, and legal practitioners are forbidden from buying, trafficking in, or receiving any share in actionable claims. This legal restriction prevents individuals involved in the administration of justice from using their professional positions for personal gain or engaging in speculative litigation for profit.

15. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A pledge creates a special property interest in the bailed goods in favor of the pawnee. As established in judicial precedents, this interest grants the pawnee priority over other creditors, including the state. No other party can seize the goods or their proceeds until the secured debt is fully satisfied, because the bailment transfers a legal right of possession.

16. (A) Applying the payment to discharge the specific debt of 567 rupees demanded.
According to the principles of appropriation, if a creditor demands payment of a specific debt and the debtor remits that exact amount, the circumstances imply the payment is intended for that particular debt. Under Section 59 of the Indian Contract Act, the creditor is bound to apply the funds to the debt that was specifically called for payment.

17. (A) Future goods not yet in the pawnor's possession.
A pledge is legally defined as a bailment of goods, which necessitates the delivery of possession. Since future goods do not currently exist or are not yet in the possession of the pawnor, they cannot be physically or constructively delivered to the pawnee. Therefore, a valid pledge can only be created over existing goods that the pawnor currently possesses.

18. (A) A beneficial interest in movable property enforceable only by a legal suit.
An actionable claim, also known as a chose in action, represents a claim to an unsecured debt or a beneficial interest in movable property not in the claimant's possession. Such claims are enforceable through legal proceedings in a court. Common examples include book debts, arrears of rent, or the right to receive proceeds from an insurance policy.

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the bank in the normal course of banking business.

II. The property should not have been entrusted to the bank for a particular purpose inconsistent with the lien.

III. There must be a specific, formalized written agreement expressly granting the right of lien over the precise assets.

Which of the above vital conditions must be unequivocally satisfied for a banker to lawfully exercise the right of general lien?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2010

73. When the right of set-off is legally available to a bank regarding a customer's specific funds, how does this impact the bank's right of general lien over those same funds?

(A) The bank can exercise both the right of set-off and the right of lien simultaneously to double its security cover.
(B) When set-off is available, the lien right cannot be exercised simultaneously.
(C) The lien right automatically merges into the set-off right, allowing the bank to seize physical assets instead of cash.
(D) The right of lien completely overrides the right of set-off, forcing the bank to treat cash balances as pledged goods.

May/June 2009

74. Mr. A is a guarantor for a loan granted to Mr. B. The principal debtor, Mr. B, has not yet defaulted, and the loan account is currently performing. However, the bank proactively freezes Mr. A's personal savings account and attempts to set-off its substantial credit balance against Mr. B's outstanding loan purely as a precautionary measure.

Is the bank's action legally justifiable?

(A) Yes, the bank can apply set-off at any time since Mr. A signed the guarantee agreement.
(B) Yes, the bank has absolute discretion to merge accounts to secure its overall lending portfolio.
(C) No, set-off can never be applied against a guarantor under any circumstances; only a lien is applicable.
(D) No, the banker cannot apply set-off until the guarantor's liability is determined by default.

Oct/Nov 2021

75. Which specific section of the Indian Contract Act, 1872, statutorily grants a banker an absolute right of general lien on all goods and securities received in the ordinary course of business?

(A) Section 130
(B) Section 152
(C) Section 171
(D) Section 176

May/June 2015

76. Read the following statements regarding the banker's right of set-off:

I. Set-off is fundamentally the right of a debtor to take into account a debt owing to him by a creditor when claiming a debt due from him to the creditor.

II. In banking, this right enables the banker to adjust a debit balance in a customer's account with any balance outstanding to the customer's credit in the books of the bank.

Which of the statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2018

77. Match the account configurations (List I) with the correct status regarding the availability of the right of set-off to the banker (List II).

List I: (Account Configurations)

P. Deposit: Partner in a firm / Loan: Partnership firm
Q. Deposit: Partnership firm / Loan: One of the partners
R. Deposit: Proprietor / Loan: Proprietorship firm
S. Deposit: Trustee / Loan: Trust

List II: (Availability of Right of Set-off)

1. Available (Proprietor vs Firm)
2. Not available (Firm vs Partner)
3. Available (Partner vs Firm)
4. Not available (Trustee vs Trust)

(A) P-1, Q-4, R-3, S-2
(B) P-2, Q-1, R-4, S-3
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-3, R-2, S-1

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and fire insurance are properly managed under relevant statutes.

29. (C) Pawnor — The creditor who receives the goods and advances the loan.
In a pledge transaction, the pawnor is the debtor who delivers their goods as security, not the creditor. The creditor who receives the goods and provides the loan is correctly called the pawnee. The entire process is a form of bailment where goods are handed over specifically to secure the repayment of a debt or the performance of a promise.

30. (D) The assignee's right is subject to the debtor's counter-claim.
The transferee of an actionable claim takes it subject to all equities and liabilities that affected the transferor at the date of transfer. This means the debtor can raise any valid counter-claim against the assignee that they could have raised against the original creditor. The assignee's rights are limited to what the assignor was entitled to receive.

31. (C) Nature of Notice — An intimation of the proposed sale; Signature Requirement — Need not be signed by the pawnee.
A sale notice issued by a pawnee serves as an intimation of the intent to sell pledged goods due to default. Judicial interpretations clarify that while the notice must be reasonable and clear, it does not require the pawnee's signature to be valid. The primary purpose is to give the pawnor a final opportunity to redeem the pledged property.

32. (B) The bank's ownership interest prioritizes its claim over assets seized for wage arrears.
A bank's charge over hypothecated assets creates a secured interest that generally takes precedence over the claims of unsecured creditors, including statutory claims for wage arrears that are not specifically granted priority by law. Courts recognize the bank's equitable right in the property, ensuring that secured lenders can recover their dues from the assets designated as security for the loan.

33. (B) The bank has all the rights of an owner and can recover the value of the goods.
Endorsing and delivering railway receipts to a bank constitutes a valid constructive delivery of the goods, creating a pledge. As a pledgee, the bank acquires a special interest and is legally entitled to the rights of an owner against the carrier. Consequently, the bank can sue the railways to recover the value of the goods if they are lost.

34. (A) I and II only
To mitigate risks in hypothecation, where possession remains with the borrower, banks implement several precautions. These include obtaining a written undertaking that the borrower will not seek financing from other banks against the same stock and requiring the display of signboards on premises. These measures help prevent multiple charges and provide notice of the bank's interest to third parties.

35. (A) A pawnee cannot obtain a decree for recovery if unable to return the pledged goods.
A pawnee's right to recover a debt is closely linked to their duty to return the pledged goods upon payment. As established in the Lallan Prasad case, if a pawnee is no longer in a position to return the pawned items, they cannot obtain a decree for the recovery of the debt. The two obligations are considered concurrent and reciprocal.

36. (A) I, II, III, and IV only
A comprehensive Deed of Hypothecation typically includes declarations of ownership, undertakings to hold sale proceeds for the bank, and requirements for insurance. It also features a continuing security clause, ensuring the charge remains valid regardless of account fluctuations. Conversely, such deeds usually preserve the banker's right of general lien rather than barring it, to provide maximum security for the lender.

37. (A) The principal debt, interest, and necessary expenses for preservation.
Section 173 of the Indian Contract Act defines the pawnee's right of retainer. It allows the pawnee to keep the pledged goods not only for the repayment of the principal debt but also for any interest accrued on that debt. Additionally, the pawnee can retain the goods for all necessary expenses incurred in the preservation of the pledged property.

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19. (D) Ownership remains with the pawnor, with a qualified interest passing to the pawnee.
In a contract of pledge, the general ownership of the goods remains with the pawnor. However, a qualified or special interest in the property passes to the pawnee through the bailment. This special interest allows the pawnee to retain possession and, in the event of default, sell the goods to satisfy the debt, while preserving the pawnor's ownership.

20. (A) The arrangement amounts to an assignment of the specific fund, which is not revocable and holds priority.
When a borrower provides an irrevocable power of attorney to a bank to collect specific bills, it constitutes an equitable assignment of the funds. Once the assignment is made, the fund is no longer available for attachment by third parties. The bank's right is prioritized because the borrower has effectively transferred their interest in the specific proceeds to the lender.

21. (D) I, II, III, and IV
Section 178 of the Indian Contract Act allows a mercantile agent to create a valid pledge if they possess the goods or title documents with the owner's consent. The pledge must be made in the ordinary course of business, and the pawnee must act in good faith without knowing that the agent lacks the authority to pledge the goods.

22. (B) The Rule in Clayton's Case
The rule in Clayton's Case is a fundamental principle in banking and contract law used when neither the debtor nor the creditor appropriates a payment. It establishes that payments are applied chronologically, with the first item on the credit side discharging the first item on the debit side. This "first in, first out" rule simplifies account settlements.

23. (D) The payment is valid, and Z cannot sue X for the debt.
Section 130 of the Transfer of Property Act protects a debtor who pays the original creditor before receiving formal notice of an assignment. If X pays Y without knowing that the debt was transferred to Z, the payment is legally valid and discharges X's liability. Z's rights are subject to any payments the debtor made before receiving notice.

24. (D) The transaction is a valid pledge as symbolic delivery is legally equivalent to physical delivery.
Symbolic delivery, such as handing over the keys to a warehouse, is legally recognized as a valid form of constructive delivery for creating a pledge. The Indian Contract Act does not require the simultaneous physical movement of goods and the granting of a loan. As long as possession is effectively transferred, the transaction constitutes a legally binding and enforceable pledge.

25. (B) I, III, and IV only
An assignee of an actionable claim cannot acquire better rights than the assignor possessed. This principle, known as taking subject to equities, means the transferee is bound by all liabilities and defenses existing at the time of transfer. For instance, if a bond was voidable against the assignor, the assignee also cannot enforce it against the debtor.

26. (D) Discharging the debts in chronological order, whether barred by limitation or not.
Section 61 of the Indian Contract Act specifies that when neither the debtor nor the creditor has appropriated a payment, the payment must be applied to discharge debts in chronological order. This rule applies regardless of whether the debts are barred by the law of limitation, ensuring that the oldest outstanding obligations are settled first in the ledger.

27. (A) The banker's rights as a pawnee remain unaffected.
Releasing pledged goods to a borrower under a trust receipt for a specific purpose does not terminate the original pledge. The bank's rights as a pawnee remain legally protected because the borrower holds the goods and proceeds as a trustee. This mechanism allows the borrower to process or sell goods while the bank maintains its priority as a secured creditor.

28. (A) A marine or fire policy of insurance
While Section 130 of the Transfer of Property Act governs the transfer of most actionable claims, it specifically excludes marine and fire insurance policies. These insurance instruments are subject to their own specialized legal frameworks and rules for transfer and assignment, ensuring that the unique risks and requirements of maritime

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47. (C) Twelve months
Under the Companies Act, a floating charge created on the property of a company within twelve months of the commencement of its winding up may be deemed invalid. This rule prevents companies from creating last-minute charges to favor specific creditors when insolvency is imminent. However, the charge remains valid if the company was solvent immediately after the charge was created.

48. (D) I, II, and III
A pawnor has several legal obligations toward the pawnee. They must disclose any known faults in the goods that could expose the pawnee to risk. Furthermore, the pawnor is responsible for reimbursing the pawnee for expenses incurred to preserve the property. Finally, if the sale of the pawned goods does not cover the debt, the pawnor must pay the deficit.

49. (A) The creditor receives a transfer of legal interest granting immediate absolute ownership.
In a hypothecation transaction, the creditor does not receive immediate absolute ownership or physical possession of the goods. Instead, the borrower retains possession while signing documents that create an equitable charge in the creditor's favor. The legal interest only shifts if the creditor exercises their right to take possession or sell the assets following a default by the borrower.

50. (C) P-4, Q-1, R-3, S-2
Landmark cases define pledge law: Morvi Mercantile established that endorsing railway receipts creates a valid pledge. Lallan Prasad ruled that a pawnee cannot recover a debt if they cannot return the goods. Bank of Bihar protected pawnee rights against government seizure. Standard Chartered Bank confirmed that accretions, like bonus shares, form an integral part of the pawnee's secured interest.

51. (D) The hypothecation charge becomes transformed into a valid legal pledge.
Hypothecation is an equitable charge where the borrower retains possession. However, most hypothecation agreements allow the bank to take physical possession if the borrower defaults. Once the borrower actually surrenders the goods to the creditor, the nature of the charge is legally transformed. The transaction effectively becomes a pledge, granting the bank the standard rights and responsibilities of a pawnee.

52. (D) The notice of sale does not mandate the sale to occur at any particular time.
A sale notice issued by a pawnee under Section 176 of the Indian Contract Act does not legally compel the pawnee to sell the goods at any specific time or immediately upon the notice's expiry. The pawnee retains the discretion to choose the most opportune moment for the sale, and a delay does not necessarily invalidate the notice or the debt.

53. (D) I, II, III, IV, and V
To effectively secure a pledge, a banker must verify the pawnor's title and maintain effective control over the goods. Essential steps include displaying signboards at godowns and conducting periodical inspections. Additionally, the banker is legally obligated to take reasonable care of the property, acting with the same prudence as an ordinary person would regarding their own valuable assets.

54. (C) Asset realization in case of default is usually a swift and inexpensive legal process.
Realizing assets under hypothecation is often a complex and potentially expensive legal process, especially compared to a pledge where the creditor already has possession. Because the borrower retains control, they may fraudulently sell stocks or provide inaccurate statements. These risks make hypothecation more difficult to supervise and enforce, often requiring court intervention to seize and sell the secured property.

55. (A) A charge on movable property without delivery of possession to the creditor as security.
The SARFAESI Act, 2002, defines hypothecation as a charge created by a borrower on movable property in favor of a secured creditor. This charge serves as security for financial assistance and is established without the delivery of possession. It grants the creditor specific legal rights to the property despite the borrower maintaining physical control over the assets in question.

56. (B) I, II, IV, and V only
Upon a pawnor's default, Section 176 of the Indian Contract Act provides the pawnee with several options. The pawnee may sue for the debt while retaining the goods as collateral.

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appointed.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2016

39. Consider the following statements about Section 78 (Application for registration by charge holder):

I. The charge-holder may apply if the company fails to register within the specified period.
II. The Registrar gives a 14-day notice to the company before allowing registration.
III. The company can prevent registration by showing sufficient cause.
IV. The charge-holder can recover the fees paid from the company.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2008

40. Identify the correctly matched pair of the prescribed form and its function:

(A) Form CHG-1 - Creation or modification of a charge for debentures
(B) Form CHG-2 - Intimation of satisfaction of charge
(C) Form CHG-5 - Certificate of registration issued by ROC
(D) Form CHG-10 - Application for delay in filing the charge

Oct/Nov 2020

41. Consider the following statements regarding the requirements for creating and registering a charge:

I. Form CHG-1 is used for charges other than debentures.
II. The charge must be signed by both the company and the charge-holder.
III. A certificate in Form CHG-2 is issued upon successful registration.
IV. Form CHG-10 is used to apply for delay between 60 and 120 days post 2 Nov 2018.
V. Form CHG-9 is specifically used to register the appointment of a receiver.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2015

42. Match the period of delay for a charge created after 2 November 2018 with the corresponding requirement:

List I: (Periods of Delay)

P. Within 30 days
Q. After 30 days but within 60 days
R. After 60 days but within 120 days
S. After 120 days

List II: (Requirements)

1. Cannot be registered
2. Normal Fees + Additional Fees + CHG-10 application
3. Normal Fees only
4. Normal Fees + Additional Fees

(A) P-3, Q-2, R-4, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-3, Q-4, R-2, S-1
(D) P-1, Q-4, R-2, S-3

Oct/Nov 2024

43. Consider the following statements regarding the provisions of Section 84 for the appointment of a receiver or manager:

I. Notice of such appointment must be given by the person obtaining the order.
II. The notice must be given within 30 days from the date of the order.
III. This section applies exclusively to floating charges and does not affect fixed charges.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2012

44. Consider the following statements regarding the evolution of company law on charges:

I. Under the Companies Act 1956, only 9 specified types of charges were required to be registered.
II. Under the Companies Act 2013, pledges, liens, and charges created outside India do not require registration.

(A) Only Statement I is correct.
(B) Only Statement II is correct.

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the assets. This legal safeguard is absent in sole proprietorships, where a borrower might more easily create multiple charges or sell assets without the bank's knowledge or recourse.

66. (B) An automatic right of set-off arises, allowing the bank to adjust its overdue loan first.
When a bank receives a garnishee order, it is legally entitled to set-off any debts that are already due from the customer before surrendering the remaining funds to the court. This automatic right ensures the bank's position as a creditor is protected against the claims of third-party judgment creditors, provided the customer's debt to the bank is overdue.

67. (C) The bank can enforce its lien as mutual demand exists in the same capacity.
In law, a partnership firm is not a separate legal entity from its partners. When two firms consist of the exact same partners, they are considered the same person in different capacities. Therefore, mutual indebtedness exists, allowing the bank to exercise its right of lien or set-off by adjusting the credit balance of one firm against the overdraft of the other.

68. (B) An implied pledge
A banker's general lien is legally distinguished from an ordinary lien because it is considered an implied pledge. Under Section 171 of the Indian Contract Act, this status grants the banker not just the right to retain the goods, but also the power to sell them after giving reasonable notice, similar to the rights held by a pawnee in a pledge.

69. (D) P-4, Q-1, R-2, S-3
The right of set-off requires parties to be mutually indebted in the same capacity. It is unavailable for company dividend accounts against loans because dividend funds are held in trust. Similarly, set-off cannot bridge joint and individual accounts, nor minor and guardian accounts. However, it is fully available between a sole proprietor and their firm, as they represent the same legal person.

70. (A) I, II, and III only
For a valid set-off, debts must be certain and parties must be mutually indebted in the same right. A banker must wait for a loan's due date before applying set-off against a credit balance. While a partner's personal credit can offset a firm's debt due to several liability, a joint account balance generally cannot offset an individual partner's debt.

71. (D) The security is not exhausted merely because the account shows a credit balance at any given time.
A continuing security clause in a Deed of Hypothecation ensures the charge remains effective for the entire balance due in a fluctuating account, such as a cash credit facility. The security is not exhausted or terminated even if the account temporarily shows a credit balance. This allows the borrower to draw funds again without executing new security documents each time.

72. (A) I and II only
To exercise a general lien under Section 171 of the Indian Contract Act, the banker must have received the property in the ordinary course of banking business. Furthermore, there must be no express contract or circumstances inconsistent with the lien, such as goods entrusted for a specific, different purpose like safe custody. A separate written agreement is not strictly required.

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73. (B) When set-off is available, the lien right cannot be exercised simultaneously.
While both mechanisms serve to secure the bank's position, they operate differently. A lien typically applies to physical goods and securities, whereas set-off applies to money or credit balances. In practice, when a bank has a legal right to set-off a customer's funds against an outstanding debt, the right of lien over those same funds cannot be exercised simultaneously.

74. (D) No, the banker cannot apply set-off until the guarantor's liability is determined by default.
A banker cannot apply set-off against a guarantor's account until the guarantor's liability has been clearly determined. This typically happens only after the principal debtor defaults and the bank makes a formal demand on the guarantor. Until that point, the guarantor is not yet a debtor to the bank for a specific, due sum, making set-off legally premature.

May/June 2018

8. What authority does Section 83 grant to the Registrar of Companies?
(A) The power to grant total exemptions from registration fees for small companies.
(B) The power to record satisfaction on evidence of payment without intimation.
(C) The power to confiscate the assets of a company that fails to register a charge.
(D) The power to appoint a liquidator without approaching the tribunal.

Oct/Nov 2010

9. Which of the following events does NOT cause a floating charge to become fixed or crystallized?
(A) The debtor company going into liquidation.
(B) The company selling a portion of its inventory in the ordinary course of business.
(C) The debtor company ceasing to carry on business.
(D) The debenture holder intervening by getting a receiver appointed.

May/June 2023

10. What is the legal consequence when a floating charge becomes fixed or crystallized?
(A) The company gains unrestricted rights to dispose of the charged assets.
(B) The charge is immediately extinguished and the debt becomes unsecured.
(C) It becomes a specific charge on assets, taking priority over subsequent claims.
(D) The creditor must re-register the charge within 14 days to maintain validity.

Oct/Nov 2014

11. What is the most appropriate consequence when the Registrar orders a memorandum of satisfaction under Section 83?
(A) The company must re-register the charge within 30 days.
(B) The debt is considered partially unpaid and requires tribunal intervention.
(C) The charge holder gains ownership of the specific asset.
(D) It records satisfaction or asset release even without a company intimation.

May/June 2009

12. Which section of the Companies Act 2013 mandates the duty of every company to register the particulars of a charge?
(A) Section 78
(B) Section 82
(C) Section 77
(D) Section 85

Oct/Nov 2019

13. Identify the incorrect statement regarding the timelines for a charge created after 2 November 2018.
(A) It can be registered after 120 days by paying fees without further approval.
(B) It can be registered within 30 days of creation with normal fees.
(C) It can be registered after 30 days but within 60 days with additional fees.
(D) It can be registered after 60 days but within 120 days on an application.

May/June 2017

14. Which of the following statements is correct regarding charges that do not require registration?
(A) A floating charge on stock-in-trade does not require registration.
(B) A charge created on an immovable property situated outside India does not require registration.
(C) A Corporate Guarantee and a Hundi do not require registration.
(D) A charge on uncalled share capital does not require registration.

Oct/Nov 2006

15. Which scenario best describes a situation where an equitable charge takes priority over all other subsequent equitable charges and unsecured creditors?
(A) When a fixed charge is accidentally omitted from the company's internal register.
(B) When an unregistered charge is discovered during liquidation.
(C) When a charge is created but the loan amount is not yet disbursed.
(D) When a floating security on company assets becomes fixed or crystallized.

May/June 2011

16. Which of the following defines a "floating charge"?
(A) A general charge over present and future property allowing ordinary business use.
(B) A specific charge that extends over a single, identifiable asset of the company.

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CHAPTER 14

Creation - Registration and Satisfaction of Charges

Oct/Nov 2024

1. What is the penalty prescribed for a company that is in default in complying with any of the provisions relating to the registration of charges?
(A) Fifty thousand rupees
(B) One lakh rupees
(C) Ten lakh rupees
(D) Five lakh rupees

May/June 2012

2. Which of the following statements about the crystallization of a floating charge is incorrect?
(A) It occurs when the debtor company ceases to carry on business.
(B) It occurs when the company goes into liquidation.
(C) After crystallization, the company may still assign assets in ordinary business.
(D) It can occur on the happening of an event specified in the charge deed.

Oct/Nov 2007

3. What is a "fixed charge"?
(A) A charge that fluctuates based on the daily valuation of the company's inventory.
(B) A charge attaching to future property acquired without specific identification.
(C) A charge over specific property giving the creditor a right of sale upon default.
(D) A generic lien over all uncalled share capital of a corporate entity or firm.

May/June 2021

4. Which of the following is NOT recognized as a consequence of non-registration of a charge?
(A) The charge is not taken into account by the liquidator during winding up.
(B) The creditor is treated as an unsecured creditor.
(C) The principal debt itself becomes entirely void and the company does not have to repay the loan.
(D) A subsequently registered charge over the same property gains priority.

Oct/Nov 2015

5. How does the Insolvency and Bankruptcy Code (IBC), 2016 treat a charge that has not been registered?
(A) It provides a 30-day grace period for the liquidator to register it.
(B) It ignores the charge, treating the creditor as unsecured during liquidation.
(C) It treats the charge holder as a secured creditor but penalizes the company.
(D) It elevates the unregistered charge to a priority claim above statutory dues.

May/June 2005

6. What is the most appropriate action for a charge-holder if a company fails to register the charge within the initial period referred to in Section 77?
(A) Immediately seize the assets without any legal notice.
(B) Apply for filing of the charge under Section 78, prompting the Registrar to give a 14-day notice to the company.
(C) File a criminal lawsuit against the company directors under Section 447.
(D) Cancel the loan agreement and demand immediate cash repayment.

Oct/Nov 2022

7. What does the term "charge" mean under Section 2(16) of the Companies Act 2013?
(A) A permanent legal transfer of all company assets to a financial creditor.
(B) An interest or lien created on company property as security, including a mortgage.
(C) A short-term bailment of movable goods in the physical custody of a lender.
(D) An unsecured promise to pay back funds within a specific period to creditors.

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Alternatively, the pawnee may sell the goods, provided they give the pawnor reasonable notice of the intended sale. Selling the goods without any prior intimation is legally prohibited.

57. (B) 30 days
For a company registered under the Companies Act, any charge created through hypothecation must be registered with the Registrar of Companies within thirty days. Failure to register within this primary statutory period makes the charge void against the liquidator and other creditors in the event of winding up, although the underlying obligation to repay the money remains valid.

58. (A) The pawnor retains unrestricted use of goods for daily operations while the debt is outstanding.
A primary characteristic of a pledge is the transfer of possession from the pawnor to the pawnee. Therefore, the pawnor does not retain unrestricted use of the goods; they are kept in the exclusive custody of the bank. This loss of use is a disadvantage for the borrower, but provides the lender with significant security and ease of asset realization.

59. (C) Both I and II
Because hypothecation lacks the safety of physical possession, banks typically offer this facility only to customers of high integrity. For joint stock companies, the risk is slightly mitigated by the requirement to register the charge with the Registrar of Companies. This registration serves as constructive notice to the public, protecting the bank's interest against subsequent creditors or purchasers.

60. (B) The pawnee is entitled to accretions as part of the security and may sell them with the property.
As established in legal precedents like Standard Chartered Bank vs. Custodian, any accretions to pledged property, such as dividends or bonus shares, become part of the pawnee's security. If the pawnor defaults, the pawnee is entitled to retain and sell these accretions along with the original shares to recover the outstanding debt, interest, and any associated expenses.

61. (C) No, as the securities were not provided in the normal course of banking business.
A banker's right of general lien applies only to goods and securities that come into the bank's hands in the ordinary course of banking business. Documents left inadvertently or by mistake on a manager's desk do not meet this criterion. Since the customer did not provide these items for a banking purpose, the bank cannot lawfully exercise a lien.

62. (D) I, II, III, IV, and V
A banker's right of set-off arises automatically upon certain events that terminate the customer-banker relationship or freeze the account. These include the customer's death, insanity, or insolvency, the winding up of a company, and the receipt of a garnishee order or notice of assignment. In these cases, the bank can adjust the balances without providing prior notice to the customer.

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63. (A) I, II, and III only
In a hypothecation agreement, borrowers provide several undertakings to protect the bank's interest. These include promising to pay all outgoings related to the storage premises, maintaining the agreed margin of security, and allowing the bank full access to inspect the goods and records. These commitments help the bank monitor the security despite not having physical possession of the assets.

64. (A) A current account credit balance can be set-off against a contingent liability of an immature bill.
A banker cannot set-off a credit balance in a current account against a liability that has not yet matured, such as a bill of exchange that is not yet due. For a valid set-off, both debts must be currently due and for certain, specific sums. Contingent liabilities do not qualify for set-off until the liability becomes fixed and immediate.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Banks face lower risks with corporate hypothecations because the Companies Act mandates the registration of such charges. This registration provides constructive notice to all third parties regarding the bank's interest in

(C) A legal charge that immediately transfers the ownership title to the lender.
(D) A statutory charge created by law that requires no formal registration process.

Oct/Nov 2025

17. Which of the following is NOT a characteristic of a floating charge?
(A) It fastens onto a specific, identifiable property immediately upon creation.
(B) It floats over the present and future property of the company.
(C) It does not restrict the company from dealing with the property in the ordinary course of business.
(D) It crystallizes upon the happening of a specified contingency.

May/June 2014

18. Within what primary time period is a company required to intimate the Registrar of any payment or satisfaction in full of any registered charge?
(A) 30 days
(B) 14 days
(C) 60 days
(D) 300 days

Oct/Nov 2008

19. Which of the following statements regarding the penal provisions under Section 86 is incorrect?
(A) If a company defaults, it shall be liable to a penalty of five lakh rupees.
(B) Every officer of the company who is in default is liable to a penalty of fifty thousand rupees.
(C) Willfully furnishing false information makes a person liable for action under Section 447.
(D) Charge holders face a penalty of fifty thousand rupees if the company fails to file.

May/June 2020

20. Which of the following correctly describes the application of Section 79?
(A) Section 77 registration rules apply to any modification of a registered charge.
(B) It applies only to the complete satisfaction of a charge.
(C) It empowers the Central Government to grant time extensions for registration.
(D) It deals exclusively with the appointment of a receiver or manager.

Oct/Nov 2013

21. Which statement provides the most accurate interpretation of the third proviso to Section 77(1) regarding the priority of charges?
(A) Priority is given to the charge involving the highest monetary value.
(B) Priority is decided by the execution date of the loan contract, regardless of filing.
(C) Registration date determines priority, and subsequent filing cannot prejudice rights.
(D) An unregistered charge automatically gains priority if it was created at least one year before the registered charge.

May/June 2007

22. In which form does the Registrar of Companies issue the certificate of registration of a charge?
(A) Form CHG-1
(B) Form CHG-2
(C) Form CHG-5
(D) Form CHG-9

Oct/Nov 2017

23. What is the effect of Section 80 regarding the notice of a registered charge?
(A) Notice is required to be published in a local newspaper.
(B) Deemed notice applies only to creditors and not to buyers of the property.
(C) The company must send individual notices to all shareholders.
(D) Property acquirers are deemed to have notice of the charge from registration.

May/June 2022

24. Which of the following e-forms is NOT prescribed for the purpose of creating or modifying a charge?
(A) Form No. CHG-1
(B) Form No. CHG-5
(C) Form No. CHG-9
(D) Both Form No. CHG-1 and Form No. CHG-9

Oct/Nov 2011

25. Identify the incorrect statement regarding the forms used for registration of charges.
(A) Form No. CHG-1 is used for creating or modifying a charge for other than debentures.
(B) Form No. CHG-5 is used to apply for a delay in registration beyond 60 days.

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(C) Form No. CHG-9 is used for creating or modifying a charge for debentures.
(D) Form No. CHG-2 is the certificate of registration issued by the ROC.

May/June 2016

26. What is meant by the "crystallization" of a floating charge?
(A) The standard administrative process of registering a charge with the Registrar.
(B) The conversion of a fixed charge into a floating charge to aid operations.
(C) The settlement of the outstanding debt that leads to the discharge of the charge.
(D) An event causing a floating charge to attach to specific property as a fixed charge.

Oct/Nov 2023

27. What is the most appropriate primary purpose of requiring a company to register a charge?
(A) To provide notice to the public and potential creditors on how far the property of the company is encumbered.
(B) To generate fee revenue for the Registrar of Companies.
(C) To transfer the title of the assets to the Central Government.
(D) To ensure the company cannot sell any of its assets without the Registrar's permission.

May/June 2010

28. In the absence of an agreement to the contrary, how is priority determined between two charges created on the same property?
(A) The charge registered first will get priority over all charges registered later.
(B) The charge created for the higher loan amount gets priority.
(C) Priority is determined solely by the date the charge was created.
(D) Both charges share the property equally regardless of registration dates.

Oct/Nov 2005

29. Which of the following does NOT require registration under the Companies Act 2013?
(A) A floating charge on stock-in-trade.
(B) A pledge on movable property.
(C) A Corporate Guarantee.
(D) An interest created on tangible assets outside India.

May/June 2019

30. Which statement accurately reflects the difference between the Companies Act 1956 and the Companies Act 2013 regarding registration of charges?
(A) The 1956 Act mandated registration for all security, whereas the 2013 Act simplifies it.
(B) The 2013 Act xempts pledges and liens from registration, which were mandatory in 1956.
(C) The 1956 Act allowed 120 days for registration, while the 2013 Act allows 14 days.
(D) The 2013 Act requires almost all charges to be registered, unlike the 1956 Act.

Oct/Nov 2021

31. Match the concept related to charges with its description:
List I: (Concepts)
P. Fixed Charge
Q. Floating Charge
R. Crystallization
S. Unregistered Charge
List II: (Descriptions)
1. Ignored by liquidator and treated as an unsecured creditor.
2. Attaches to specific property and gives the creditor the right to sell it.
3. Does not attach to specific property and allows the company to deal with it ordinarily.
4. The event where a general security attaches to the assets currently held.
(A) P-3, Q-2, R-1, S-4
(B) P-2, Q-4, R-3, S-1
(C) P-2, Q-3, R-4, S-1
(D) P-4, Q-1, R-2, S-3

May/June 2006

32. Consider the following statements regarding the requirement of registration under the Companies Act 2013:
I. Charges created outside India on assets situated outside India must be registered.
II. Charges created on intangible assets are exempt from registration.
III. Modifications in the terms or conditions of a registered charge must also be registered under Section 79.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only

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(D) I, II, and III

Oct/Nov 2012

33. Match the Sections of the Companies Act 2013 with their respective provisions regarding charges:

List I: (Sections)

P. Section 77
Q. Section 79
R. Section 80
S. Section 82

List II: (Provisions)

1. Deemed notice of a registered charge
2. Intimation of payment or satisfaction in full
3. Provisions relating to modification of a charge
4. Duty of every company to register a charge.

(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-1, Q-2, R-4, S-3
(D) P-4, Q-1, R-3, S-2

May/June 2025

34. Consider the following statements relating to Registers of Charges under the Companies Act 2013:

I. Section 81 requires the Registrar of Companies to keep a register of charges.
II. Section 85 requires the company to maintain a register of charges at its registered office.
III. A copy of the particulars contained in the Registrar's register of charges can be obtained by any person on payment of a fee.
IV. The company's register is maintained exclusively for debenture holders and cannot contain fixed charges.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2018

35. Consider the following statements and select the correct option:

I. A fixed charge extends over specific properties and restricts the company from selling them without the creditor's consent.
II. A floating charge covers present and future property and does not restrict the company from assigning the property in the ordinary course of business.

(A) Only Statement I is correct.
(B) Only Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Neither Statement I nor Statement II is correct.

May/June 2013

36. Assess the following features associated with floating charges and their crystallization:

I. A floating charge does not fasten on any specific property until a specified event takes place.
II. It allows the company to sell the encumbered assets in the ordinary course of business.
III. Crystallization converts a floating charge into a fixed charge.
IV. Intervening by a creditor to appoint a receiver triggers crystallization.
V. After crystallization, the charge loses priority to subsequent unsecured creditors.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2009

37. Arrange the following sequential steps involved when a company fails to register a charge in the correct order:

I. The Registrar allows registration on payment of prescribed fees.
II. The company fails to register the charge within the period referred to in Section 77.
III. The Registrar gives a 14-day notice to the company to show cause.
IV. The charge-holder applies for the filing of the charge.

(A) II, IV, III, I
(B) II, III, IV, I
(C) IV, II, III, I
(D) III, II, IV, I

May/June 2024

38. Consider the following statements regarding the events that trigger the crystallization of a floating charge:

I. The debtor company ceases to carry on business.
II. The company goes into liquidation.
III. The debenture holder gets a receiver

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75. (C) Section 171
Section 171 of the Indian Contract Act, 1872, provides the statutory basis for the banker's general lien. It allows bankers, in the absence of a contract to the contrary, to retain as security for a general balance of account any goods and securities bailed to them. This right is fundamental to banking operations and provides significant security for lenders.

76. (C) Both I and II
Set-off is a legal right that allows a debtor to reduce their debt to a creditor by the amount the creditor owes them. In the banking sector, this mechanism enables a banker to combine or adjust a customer's debit balance with any credit balance outstanding in the same right. This helps settle mutual obligations efficiently without multiple separate payments.

77. (C) P-3, Q-2, R-1, S-4
The right of set-off depends on mutual capacity. A partner's personal credit can be used to offset a firm's debt because partners are jointly and severally liable. However, a firm's credit cannot offset an individual partner's personal debt. Set-off is also unavailable in trust accounts against a trustee's personal loan, but is available between a proprietor and their firm.

78. (B) Hypothecation — Charge created with mandatory transfer of physical possession to the creditor.
Hypothecation is distinct because it creates a charge on movable property without the transfer of physical possession to the creditor. The statement suggesting that transfer of possession is mandatory for hypothecation is incorrect. If possession were transferred, the charge would become a pledge. Hypothecation relies on the borrower retaining control while the lender holds an equitable interest in the assets.

79. (B) The banker is a holder for value and can recover amounts to the extent of the lien.
When a banker exercises a lien over negotiable instruments like cheques or bills received in the normal course of business, they are considered a holder for value. This status, effectively an implied pledge, empowers the banker to sue on the instruments and recover the amounts due to the extent of the lien, rather than merely holding the physical paper.

80. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A sole proprietorship has no separate legal existence from the individual who owns it. Therefore, a bank can lawfully set-off the credit balance in the owner's personal account against a debt in the firm's account. This action is valid because the parties are mutually indebted in the same right, fulfilling the fundamental legal requirement for exercising a set-off.

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(C) Both Statement I and Statement II are correct.
(D) Neither Statement I nor Statement II is correct.

Oct/Nov 2007

45. Consider the following statements regarding the procedural flow of charge satisfaction:
I. Section 82 mandates intimation to the Registrar within 30 days of full satisfaction.
II. Form CHG-4 is prescribed for intimating satisfaction.
III. The Registrar may allow intimation within 300 days on payment of additional fees.
IV. Upon receipt of intimation, the Registrar sends a 14-day show-cause notice to the charge-holder.
V. If the charge-holder objects, the Registrar automatically cancels the original charge.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2021

46. Arrange the timeframes for registering a charge (created after 2 November 2018) in the correct chronological order of the fee structure applied:
I. Registration requires Normal Fees + Additional Fees + Form CHG-10.
II. Registration is done with Normal Fees only.
III. Registration requires Normal Fees + Additional Fees.
IV. Registration cannot be done.
(A) II, III, IV, I
(B) II, III, I, IV
(C) III, II, I, IV
(D) I, II, III, IV

Oct/Nov 2015

47. Consider the following statements relating to the rules for delay in registration after 2 November 2018:
I. Registration within 30 days attracts normal fees.
II. Registration between 31 and 60 days attracts normal fees plus additional fees.
III. Registration between 61 and 120 days requires Form CHG-10 and a declaration from the company secretary/director.
IV. Registration after 120 days requires the appointment of a receiver.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2005

48. Identify the correctly matched pair regarding the Sections of the Companies Act 2013:
(A) Section 81 - Appointment of receiver or manager
(B) Section 87 - Central Government's power to direct time extension
(C) Section 78 - Notice of a registered charge
(D) Section 85 - Punishment for contravention

Oct/Nov 2022

49. Consider the following statements regarding the effect of registration:
I. Registration constitutes deemed notice to any person acquiring the property from the date of registration.
II. Registration deprives the creditor of the benefit of security during winding up.
III. Registration establishes priority over unregistered charges.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2018

50. Consider the following statements based on Section 78:
I. A charge-holder can apply for registration if the company fails to register it within the prescribed period.
II. The charge-holder is strictly prohibited from recovering any registration fees or additional fees paid to the Registrar from the company.
(A) Only Statement I is correct.
(B) Only Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Neither Statement I nor Statement II is correct.

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included under the definition of a charge in the 2013 Act and require registration.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2007

64. Gamma Manufacturing took a loan from Lender A on 1 March and created a charge on its warehouse, but Lender A failed to register it. On 1 April, Gamma took another loan from Lender B against the exact same warehouse, and Lender B immediately registered the charge. Who has priority over the warehouse?

(A) Lender B, because the date of registration determines priority.
(B) Lender A, because the charge was created earlier in time.
(C) Both lenders share priority equally based on a pari-passu agreement.
(D) Gamma Manufacturing retains priority over both lenders.

Oct/Nov 2017

65. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option:

Assertion (A): An unregistered charge is not taken into account by a liquidator appointed under the Insolvency and Bankruptcy Code (IBC), 2016.

Reason (R): Section 77(3) explicitly states that no charge shall be taken into account by the liquidator unless it is duly registered and a certificate of registration is given.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2022

66. Delta Software Ltd. applies to intimate satisfaction on 25 November, well past the initial 30 days. Under Section 82, what is the maximum time from the date of payment within which the Registrar may allow such intimation?

(A) 60 days
(B) 300 days
(C) 120 days
(D) 365 days

Oct/Nov 2011

67. Beta Retailers Ltd. secured a loan from Bank N by creating a floating charge over its entire present and future inventory. Six months later, Beta Retailers Ltd. suffers massive losses and goes into liquidation. What happens to the floating charge immediately upon liquidation?

(A) It becomes void and unenforceable.
(B) It transforms into a Corporate Guarantee.
(C) It crystallizes and becomes a fixed charge on the inventory held at that moment.
(D) It is transferred to the liquidator as part of his remuneration.

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May/June 2016

68. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option:

Assertion (A): If a company fails to intimate the Registrar regarding the satisfaction of a charge, the Registrar cannot under any circumstances record the satisfaction in the register.

Reason (R): Section 83 empowers the Registrar to record a memorandum of satisfaction upon obtaining evidence that the debt has been paid, even without the company's intimation.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2023

69. Epsilon Logistics created a charge on its fleet of trucks in favor of Finance Co. on 1 January but neglected to register it. By 15 February, Finance Co. realizes the charge is still unregistered.

(A) P-4, Q-2, R-1, S-3
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-1, R-2, S-3
(D) P-2, Q-4, R-3, S-1

Oct/Nov 2006

57. Consider the following statements regarding the treatment of unregistered charges during liquidation:
I. Section 77(3) governs the effect of non-registration.
II. The liquidator is appointed under the Companies Act or IBC, 2016.
III. The liquidator will take the unregistered charge into account if the creditor files an affidavit.
IV. The unregistered charge is ignored, treating the creditor as an unsecured creditor.
V. A registered charge on the same asset will have priority over the unregistered one.
Which of the above statement(s) is/are correct?
(A) I, II, IV, and V only
(B) I, II, III, and IV only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2011

58. Identify the incorrectly matched pair regarding the timelines and fees for charges created after 2 November 2018:
(A) After 120 days - Normal Fees + Penalty of Rs. 50,000
(B) Within 30 days - Normal Fees
(C) After 30 days but within 60 days - Normal Fees + Additional Fees
(D) After 60 days but within 120 days - Normal Fees + Additional Fees + Form CHG-10

Oct/Nov 2025

59. Consider the following exceptions where a charge may not require registration:
I. Corporate Guarantee
II. Arising due to the operation of some specific law where registration is not required
III. Hundi, which is a Negotiable instrument
IV. A charge on any book debts of the company
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2014

60. Consider the following statements and select the correct option:
I. An unregistered charge is valid against a liquidator appointed under the Insolvency and Bankruptcy Code (IBC), 2016.
II. Prior registration of a charge grants priority over subsequent registered charges, provided there is no pari-passu agreement.
(A) Only Statement I is correct.
(B) Only Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Neither Statement I nor Statement II is correct.

Oct/Nov 2008

61. Suppose Alpha Ltd. forgot to file the registration and eventually applied on 25 July 2019 (which is 71 days after creation). What specific procedural requirement must the company fulfill?
(A) Pay only Normal Fees as it is within 100 days.
(B) Obtain a direct court order from the Debt Recovery Tribunal.
(C) Submit Form CHG-10 with a secretary or director's declaration.
(D) The charge cannot be registered after 60 days under any circumstances.

May/June 2020

62. When Finance Co. applies for registration under Section 78, what step must the Registrar take before allowing the registration?
(A) Give a 14-day notice to the company to register it or show sufficient cause.
(B) Collect a mandatory fine from Finance Co. equivalent to the registration fee.
(C) Publish a public notice of the application in two major national newspapers.
(D) Immediately freeze the bank accounts of Epsilon Logistics via the tribunal.

Oct/Nov 2013

63. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option:
Assertion (A): Under the Companies Act 2013, the requirement to register a charge is restricted only to nine specific categories of charges.
Reason (R): Pledges and liens are expressly

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investors, and the general public to ascertain the extent to which a company's assets are encumbered. This transparency is crucial for informed financial decision-making, as it reveals the availability of assets for future borrowing and the priority of existing claims during a winding-up process.

28. (A) The charge registered first will get priority over all charges registered later.
In the absence of a specific agreement stating otherwise, priority between multiple charges on the same property is determined by the sequence of their registration with the Registrar. The charge that is registered first gains legal priority over those registered later. This rule incentivizes prompt filing and ensures that the public register acts as a reliable source for creditors.

29. (C) A Corporate Guarantee.
Under the Companies Act, 2013, most security interests like floating charges and pledges must be registered. However, a Corporate Guarantee does not involve creating a lien or interest on specific company property. It is a contractual promise to pay the debt of another entity. Because it does not encumber specific assets in the same manner, it does not require registration.

30. (D) The 2013 Act requires almost all charges to be registered, unlike the 1956 Act.
The Companies Act, 1956 only required the registration of nine specific types of charges. In contrast, the Companies Act, 2013 significantly broadened the scope by requiring the registration of almost all types of charges created on a company's assets. This includes pledges and liens, ensuring greater transparency and protection for all stakeholders involved in the company's financial dealings.

31. (C) P-2, Q-3, R-4, S-1
A fixed charge attaches to specific property, granting sale rights. A floating charge covers general property, allowing ordinary business dealings. Crystallization is the event where this general security attaches to currently held assets. Finally, an unregistered charge is ignored by a liquidator, resulting in the creditor being treated as unsecured. These definitions form the core framework of corporate security.

32. (B) I and III only
Under Section 77, charges created outside India on assets situated abroad must be registered with the Registrar. Additionally, Section 79 mandates that any modifications to the terms of a registered charge must also be filed. Statement II is incorrect because the Act requires registration for charges on all types of property, whether tangible or intangible, without providing a general exemption.

33. (B) P-4, Q-3, R-1, S-2
Section 77 establishes the primary duty of a company to register a charge. Section 79 covers the requirements for registering modifications to an existing charge. Section 80 deals with the deemed notice of a registered charge to any person acquiring property. Section 82 specifies the process for intimating the Registrar about the full payment or satisfaction of a registered charge.

34. (A) I, II, and III only
The Registrar maintains a public register of charges under Section 81, which anyone can inspect for a fee. Separately, Section 85 requires every company to keep a register of all charges at its registered office. Statement IV is incorrect because the company's register must include all charges, both fixed and floating, and is not limited to those for debenture holders.

35. (C) Both Statement I and Statement II are correct.
A fixed charge is specific to certain assets and prohibits the company from selling them without the lender's permission. Conversely, a floating charge is dynamic, covering current and future assets while permitting the company to use or sell them in its regular operations. These two types of charges provide flexibility for companies to secure various forms of financing and credit.

36. (A) I, II, III, and IV only
A floating charge remains dynamic until a specific event triggers crystallization, which transforms it into a fixed charge. While floating, the company can freely deal with encumbered assets. Intervening to appoint a receiver is a valid trigger for crystallization. However, Statement V is false because once crystallized, the charge actually gains priority over subsequent claims, rather than losing it.

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Under Section 78, what action can Finance Co. take?

(A) Finance Co. can seize the trucks immediately without a court order.
(B) Finance Co. can force the liquidation of Epsilon Logistics automatically.
(C) Finance Co. has no remedy and must write off the loan.
(D) Finance Co. can apply to the Registrar for filing of the charge in the prescribed manner.

May/June 2010

70. Which provision of the Companies Act 2013 solidifies Lender B's priority over Lender A in the Gamma Manufacturing scenario?

(A) Section 82
(B) Section 84
(C) Third proviso to Section 77(1)
(D) Section 86

Oct/Nov 2005

71. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option:

Assertion (A): A floating charge does not attach to any specific property upon creation but covers the whole of the company's property.

Reason (R): A floating charge floats over the present and future property, allowing the company to deal with the property in the ordinary course of business until it crystallizes.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2019

72. If Alpha Ltd. completely failed to act and tried to register the charge on 30 October 2019 (more than 160 days after creation), what is the legal position regarding the ability of the Registrar to register it without Central Government intervention?

(A) The ROC will register it upon payment of a Rs. 5 Lakh penalty.
(B) The ROC will register it if Bank M submits a written request.
(C) The ROC will convert it into a floating charge and register it for free.
(D) The charge cannot be registered after 120 days.

Oct/Nov 2021

73. After the Registrar registers the charge on the application of Finance Co., Finance Co. seeks to recover the registration fees and additional fees it paid to the Registrar. Does the law permit this recovery?

(A) No, fees paid by the charge-holder are considered a cost of doing business.
(B) Yes, the person in whose favour the charge is created may recover fees from the company.
(C) No, only the principal loan amount can be recovered.
(D) Yes, but only if the Central Government issues a specific recovery order.

May/June 2006

74. Delta Software Ltd. fully repaid its term loan to Bank P on 10 August. According to Section 82, by which date should Delta Software generally intimate the Registrar of this complete satisfaction to avoid seeking a time extension?

(A) 24 August (14 days)
(B) 9 September (30 days)
(C) 9 October (60 days)
(D) 10 December (120 days)

Oct/Nov 2012

75. Alpha Ltd. created a specific charge on its new manufacturing plant in favor of Bank M on 15 May 2019. The management submitted the registration application to the Registrar on 5 June 2019. Based on the provisions for charges created after 2 November 2018, what fee is applicable?

(A) Normal Fees
(B) Normal Fees + Additional Fees
(C) Normal Fees + Penalty of Rs. 50,000
(D) Triple the Normal Fees

May/June 2025

76. If it is discovered during liquidation that Bank N never registered the floating charge with the Registrar, how will the liquidator treat Bank N's claim?

(A) As a priority secured claim due to equitable principles.

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Oct/Nov 2010

51. Review the following provisions under the Companies Act 2013:

I. Section 77 deals with the primary duty to register charges.
II. Section 79 ensures modification of charges follows the same registration rules.
III. Section 80 establishes deemed notice of a registered charge.
IV. Section 86 prescribes penalties for non-compliance.
V. Section 87 allows the Registrar to independently waive all late fees after 300 days.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2023

52. Match the specific provisions with the corresponding Sections from the Companies Act 2013:

List I: (Provisions)
P. Registrar's power to record satisfaction on evidence.
Q. Notice of appointment of a receiver or manager.
R. Company's register of charges.
S. Penalties for non-compliance.

List II: (Sections)
1. Section 86
2. Section 85
3. Section 84
4. Section 83

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-2, R-3, S-1
(C) P-1, Q-2, R-3, S-4
(D) P-4, Q-3, R-2, S-1

Oct/Nov 2014

53. Identify the incorrectly matched pair regarding the penalties under Section 86:

(A) Company in default - Penalty of five lakh rupees
(B) Officer in default - Penalty of fifty thousand rupees
(C) Liquidator accepting unregistered charge - Penalty of five lakh rupees
(D) Person willfully furnishing false information - Action under Section 447

May/June 2009

54. Consider the following charges that were required to be filed with the ROC under the Companies Act 1956:

I. A charge for the purpose of securing any issue of debentures.
II. A charge on uncalled share capital of the company.
III. A charge on calls made but not paid.
IV. A floating charge on the undertaking or any property of the company including stock in trade.

Which of the above statement(s) is/are correct?
(A) I, II, and IV only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2019

55. Consider the following statements regarding the satisfaction of charges:

I. The company must intimate the Registrar within 30 days of payment or satisfaction in full.
II. The Registrar may allow the intimation of satisfaction within a period of 300 days upon application.
III. The Registrar cannot record a memorandum of satisfaction unless the company officially intimates it.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2017

56. Match the prescribed e-Forms with their intended purposes under the Companies (Registration of Charges) Rules, 2014:

List I: (E-Forms)
P. Form CHG-1
Q. Form CHG-2
R. Form CHG-5
S. Form CHG-9

List II: (Purposes)
1. Memorandum of satisfaction of a charge
2. Certificate of registration of a charge
3. Creation or modification of a charge (for debentures)
4. Creation or modification of a charge (for other than debentures).

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ANSWERS

1. (D) Five lakh rupees
Under Section 86 of the Companies Act, 2013, if a company fails to comply with the provisions regarding the registration of charges, it is liable to a penalty of five lakh rupees. Additionally, every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees for such non-compliance with the law.

2. (C) After crystallization, the company may still assign assets in ordinary business.
Crystallization occurs when a floating charge converts into a fixed charge, typically due to liquidation or business cessation. Once crystallized, the charge fastens upon specific assets, and the company loses its right to deal with or assign those assets in the ordinary course of business. This restriction distinguishes a crystallized charge from a standard floating security arrangement.

3. (C) A charge over specific property giving the creditor a right of sale upon default.
A fixed charge is created over specific, identifiable assets such as land, buildings, or heavy machinery. This legal arrangement restricts the company from disposing of the asset without the lender's prior consent. In case of default, the creditor possesses the legal right to sell the specific property to recover the outstanding debt amount from the proceeds.

4. (C) The principal debt itself becomes entirely void and the company does not have to repay the loan.
Non-registration of a charge does not invalidate the underlying debt or the company's obligation to repay the loan. While the security interest itself becomes void against the liquidator and other creditors, the contract to repay the money remains valid. Consequently, the creditor is simply relegated to the status of an unsecured creditor during the company's winding-up process.

5. (B) It ignores the charge, treating the creditor as unsecured during liquidation.
Under Section 77 of the Companies Act, 2013, which is recognized by the Insolvency and Bankruptcy Code, a charge must be registered to be valid against a liquidator. If left unregistered, the security is ignored during liquidation or resolution proceedings. The holder of such an interest is consequently treated as an unsecured creditor in the distribution.

6. (B) Apply for filing of the charge under Section 78, prompting the Registrar to give a 14-day notice to the company.
Section 78 allows the charge-holder to apply for registration if the company fails to do so within the prescribed timeframe. Upon receiving such an application, the Registrar of Companies must provide a fourteen-day notice to the company to show cause. If no objection is raised or cause shown, the Registrar proceeds to register the charge particulars accordingly.

7. (B) An interest or lien created on company property as security, including a mortgage.
Section 2(16) of the Companies Act, 2013 defines a charge as an interest or lien created on the property or assets of a company, or any of its undertakings, as security. This definition specifically includes mortgages. It represents a legal claim that ensures the creditor has a priority right over the specified assets for debt recovery purposes.

8. (B) The power to record satisfaction on evidence of payment without intimation.
Section 83 empowers the Registrar of Companies to enter a memorandum of satisfaction in the register even without formal intimation from the company. This occurs when evidence is provided demonstrating that the debt has been paid in full or the property has been released from the charge. This ensures the register remains accurate and reflects the company's actual liabilities.

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9. (B) The company selling a portion of its inventory in the ordinary course of business.
A floating charge allows a company to deal with its assets, such as selling inventory, in the ordinary course of business without triggering crystallization. Crystallization only occurs when specific events happen, such as the company going into liquidation, ceasing its business operations, or a receiver being appointed. Routine business transactions do not convert the floating security into fixed.

10. (C) It becomes a specific charge on assets, taking priority over subsequent claims.
Crystallization is the process where a floating charge transforms into a fixed charge. This transformation occurs upon the happening of certain events like liquidation or default. Once crystallized, the charge attaches to the specific assets currently held by the company. Consequently, the creditor gains a priority claim over those specific assets against subsequent claims or unsecured creditors during distribution.

11. (D) It records satisfaction or asset release even without a company intimation.
Under Section 83, the Registrar has the authority to record the satisfaction of a debt or the release of property from a charge based on sufficient evidence. This action is taken independently of a formal company intimation. It serves as a mechanism to update public records when a charge is no longer valid, protecting the company's credit standing.

12. (C) Section 77
Section 77 of the Companies Act, 2013 imposes a mandatory duty on every company to register particulars of any charge created on its property or assets. This registration must be completed within thirty days of the charge's creation. The provision covers assets situated both within and outside India and applies to tangible as well as intangible properties.

13. (A) It can be registered after 120 days by paying fees without further approval.
For charges created on or after 2 November 2018, the total available time for registration is 120 days from the date of creation. This includes the initial 30 days, a 30-day extension with additional fees, and a further 60-day extension with advalorem fees. Registration is strictly prohibited once the 120-day period has expired without completing the filing.

14. (C) A Corporate Guarantee and a Hundi do not require registration.
Certain financial instruments and arrangements do not fall under the mandatory registration requirements of the Companies Act, 2013. A Corporate Guarantee is considered a contingent liability rather than a charge on specific assets. Similarly, a Hundi is a negotiable instrument and does not create an interest or lien on the company's property that necessitates filing with the Registrar.

15. (D) When a floating security on company assets becomes fixed or crystallized.
When a floating charge crystallizes, it settles and becomes a fixed charge on the assets currently possessed by the company. At this point, it functions like a legal mortgage and gains priority over all subsequent equitable charges and unsecured creditors. This transition ensures that the creditor's interest is protected against other claims that may arise after the crystallization event.

16. (A) A general charge over present and future property allowing ordinary business use.
A floating charge is a security interest that encompasses a company's present and future assets of a fluctuating nature, such as inventory or receivables. Unlike a fixed charge, it does not attach to specific property immediately. This arrangement allows the company to continue its ordinary business operations, including selling or moving assets, until an event triggers its crystallization.

17. (A) It fastens onto a specific, identifiable property immediately upon creation.
A primary characteristic of a floating charge is that it does not attach to any specific asset at the time of its creation. Instead, it hovers over a class of assets, allowing the company to use or dispose of them in regular business dealings. It only fastens onto specific property upon the occurrence of a defined event called crystallization.

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18. (A) 30 days
According to Section 82 of the Companies Act, 2013, a company is required to notify the Registrar of Companies regarding the full payment or satisfaction of any registered charge. This intimation must be filed within thirty days from the date of such payment. This process ensures that the public register accurately reflects that the company's assets are no longer encumbered.

19. (D) Charge holders face a penalty of fifty thousand rupees if the company fails to file.
Section 86 prescribes penalties primarily for the company and its officers in default regarding charge registration. A company faces a five lakh rupee penalty, while defaulting officers face fifty thousand rupees. The law does not impose a penalty on charge holders for the company's failure to file, as the charge holder is the party whose security interest is at risk.

20. (A) Section 77 registration rules apply to any modification of a registered charge.
Section 79 extends the registration requirements of Section 77 to any modifications made to the terms, conditions, or the extent of an existing registered charge. This includes changes in the interest rate, repayment schedule, or the assets covered. By mandating registration of modifications, the Act ensures that the public record remains transparent and current regarding the company's secured obligations.

21. (C) Registration date determines priority, and subsequent filing cannot prejudice rights.
The third proviso to Section 77(1) establishes that a subsequently registered charge cannot affect any right acquired in the property before that charge was registered. Essentially, priority is determined by the order of registration. If a later charge is registered before an earlier one, the registered charge generally takes precedence, protecting the rights of those who checked the register.

22. (B) Form CHG-2
When the Registrar of Companies successfully registers a charge under Section 77 or Section 78, a certificate of registration is issued. This certificate is provided in Form CHG-2. It serves as conclusive evidence that the requirements of the Companies Act regarding the registration of the charge have been fully complied with by the company or the charge-holder.

23. (D) Property acquirers are deemed to have notice of the charge from registration.
Section 80 establishes the doctrine of constructive notice for registered charges. It stipulates that any person who acquires property, or any interest therein, which is subject to a registered charge, is deemed to have notice of that charge from the date of its registration. This legal presumption protects creditors by ensuring that subsequent buyers cannot claim ignorance of existing encumbrances.

24. (B) Form No. CHG-5
Form CHG-1 and Form CHG-9 are the primary e-forms used for the registration or modification of charges for general assets and debentures, respectively. Form CHG-5, however, is not used for creating or modifying charges. Instead, it is the certificate of registration of satisfaction issued by the Registrar after a company successfully intimates that a debt has been fully paid.

25. (B) Form No. CHG-5 is used to apply for a delay in registration beyond 60 days.
Form CHG-5 is the certificate of registration of satisfaction issued by the Registrar, not an application for delay. To apply for a delay in registration beyond sixty days (and up to 120 days) for charges created after 2 November 2018, companies must use Form CHG-10. This form must include a declaration from a director or secretary.

26. (D) An event causing a floating charge to attach to specific property as a fixed charge.
Crystallization is the legal transformation of a floating charge into a fixed charge. While a floating charge allows a company to manage its assets freely, crystallization causes the security to fix upon the specific assets owned by the company at that moment. This typically occurs during events like liquidation, business cessation, or the enforcement of security by the lender.

27. (A) To provide notice to the public and potential creditors on how far the property of the company is encumbered.
The registration of charges serves as a public notice system. It allows potential creditors,

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(B) The liquidator will grant Bank N ownership of half the inventory.
(C) The liquidator will halt proceedings until Bank N registers the charge.
(D) The liquidator will ignore the charge and treat Bank N as an unsecured creditor.

Oct/Nov 2018

77. If Delta Software entirely fails to file the intimation, but Bank P provides direct evidence to the Registrar that the debt is fully paid, what procedure will the Registrar follow under Section 83 before entering a memorandum of satisfaction?
(A) Arrest the directors of Delta Software under Section 447.
(B) Confiscate all remaining tangible assets of the company.
(C) Issue a 14-day show-cause notice to the charge-holder to confirm payment.
(D) The Registrar cannot do anything without Delta Software's signature.

May/June 2013

78. The following question consists of two statements — Assertion (A) and Reason (R). Answer this question selecting the appropriate option:
Assertion (A): A subsequently registered charge over a property cannot prejudice any right acquired in respect of that property before the charge was actually registered.
Reason (R): The date of registration of a charge is critical for determining priority among creditors.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2009

79. Following the crystallization of the floating charge over Beta Retailers Ltd.'s inventory, what is the status of Bank N compared to an unsecured creditor who supplied office stationery?
(A) Bank N and the unsecured creditor share the proceeds equally.
(B) Bank N has priority over the unsecured creditor to the extent of the inventory's value.
(C) The unsecured creditor gets priority over Bank N due to the liquidation rules.
(D) Bank N must return the inventory to the company's directors.

May/June 2024

80. In the Gamma Manufacturing scenario, if Gamma goes into winding up, what happens to Lender A's unregistered charge?
(A) It is ignored by the liquidator, making Lender A an unsecured creditor.
(B) It is validated retroactively by the liquidator.
(C) It is absorbed by Lender B's registered charge.
(D) Lender A is allowed to seize the warehouse outside of the liquidation process.

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37. (A) II, IV, III, I
The process begins when a company fails its duty to register a charge. Subsequently, the charge-holder applies to the Registrar for registration under Section 78. Upon this application, the Registrar issues a fourteen-day show-cause notice to the company. If no valid objection is presented, the Registrar then allows the registration of the charge upon payment of the required fees.

38. (D) I, II, and III
Crystallization occurs when a floating charge is converted into a fixed charge due to specific events. These events include the company going into liquidation, the business ceasing to operate, or the debenture holders taking active steps to enforce their security, such as appointing a receiver. Each of these situations terminates the company's right to deal with the assets in its ordinary business.

39. (D) I, II, III, and IV
Section 78 allows a charge-holder to file for registration if the company defaults. The Registrar must provide a fourteen-day notice to the company, allowing it to show cause against the registration. If the charge-holder proceeds and pays the registration fees, the law explicitly permits them to recover these costs from the company, ensuring they are not financially penalized for the default.

40. (D) Form CHG-10 - Application for delay in filing the charge
Form CHG-10 is specifically used to apply for a delay in filing charge particulars for charges created after 2 November 2018, specifically for the period between 60 and 120 days. Other forms have different purposes: CHG-1 is for creation/modification, CHG-2 is the registration certificate, and CHG-5 is the certificate issued by the Registrar after a debt is satisfied.

41. (A) I, II, III, and IV only
Form CHG-1 is the standard for non-debenture charges, requiring signatures from both parties. Upon registration, the Registrar issues a CHG-2 certificate. For delays after 2 November 2018, CHG-10 is used for the 60 to 120-day window. Statement V is incorrect because Form CHG-9 is used for creating or modifying charges related to debentures, not for appointing receivers.

42. (C) P-3, Q-4, R-2, S-1
For charges created after November 2018, filing within 30 days requires normal fees. Between 30 and 60 days, additional fees are added. From 60 to 120 days, the company must pay additional fees and submit a CHG-10 application. After the 120-day mark, the charge cannot be registered. This strict timeline ensures that companies and creditors prioritize the timely registration of security.

43. (A) I and II only
Section 84 requires any person who obtains an order for the appointment of a receiver or manager to notify the Registrar within thirty days. This ensures the public record reflects who is managing the company's assets. Statement III is incorrect because Section 84 is a general provision that applies to any registered charge, regardless of whether it is fixed or floating.

44. (A) Only Statement I is correct.
The Companies Act, 1956 specifically listed nine categories of charges that required registration. Statement II is incorrect because the Companies Act, 2013 expanded these requirements. Under the current law, pledges, liens, and charges created on assets outside India are now mandatory to register, reflecting a shift toward comprehensive disclosure of all secured interests held against a company's property.

45. (A) I, II, III, and IV only
Satisfaction must be intimated within 30 days using Form CHG-4, though the Registrar can extend this to 300 days. The Registrar then issues a 14-day notice to the charge-holder. Statement V is incorrect because if the charge-holder objects, the Registrar must not record the satisfaction and instead informs the company. Automatic cancellation does not occur if a valid objection is raised.

46. (B) II, III, I, IV
The fee structure for registration follows a strict chronological order. Initially, only normal fees apply. As time passes, additional fees are added. Eventually, a formal application via CHG-10 along with fees becomes necessary. Finally, once the 120-day limit is reached, registration is no longer possible. This tiered approach encourages

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early compliance while providing limited windows for late filings with penalties.

47. (A) I, II, and III only
The current rules mandate normal fees within 30 days and additional fees up to 60 days. Beyond 60 days, Form CHG-10 with a professional declaration is required for registration until the 120-day limit. Statement IV is incorrect because the appointment of a receiver is an enforcement action and is not a legal requirement or procedure for late registration of a charge.

48. (B) Section 87 - Central Government's power to direct time extension
Section 87 grants the Central Government the power to direct the extension of time for filing the intimation of satisfaction of a charge or to rectify omissions or misstatements in the register of charges. The other options are incorrect: Section 84 covers receiver appointments, Section 80 deals with deemed notice, and Section 86 specifies punishments. Section 87 acts as a remedial provision for companies to correct administrative errors or delays.

49. (C) I and III only
Registration provides deemed notice to any person acquiring the property and establishes priority over unregistered charges. Statement II is false because registration actually ensures the creditor retains the benefit of the security during winding up. Without registration, the charge becomes void against the liquidator, and the creditor loses their secured status, effectively becoming an unsecured creditor in the liquidation.

50. (A) Only Statement I is correct.
Statement I correctly describes the right of a charge-holder to apply for registration when the company fails to do so. Statement II is incorrect because the law explicitly allows the charge-holder to recover any registration fees, including additional fees paid to the Registrar, from the company. This recovery provision ensures that the charge-holder is not unfairly burdened by the company's default.

51. (A) I, II, III, and IV only
Sections 77, 79, 80, and 86 correctly address registration duty, modifications, deemed notice, and penalties. Statement V is incorrect because Section 87 provides power to the Central Government, not the Registrar, to rectify the register or extend time. Furthermore, this power is typically used for omissions or misstatements rather than providing a mechanism for the Registrar to waive fees.

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52. (D) P-4, Q-3, R-2, S-1
Section 83 allows the Registrar to record satisfaction based on evidence. Section 84 requires notice for the appointment of a receiver or manager. Section 85 mandates the maintenance of a company's register of charges. Finally, Section 86 details the penalties for non-compliance with the Act's provisions. This mapping accurately reflects the regulatory structure governing the lifecycle and oversight of corporate charges.

53. (C) Liquidator accepting unregistered charge - Penalty of five lakh rupees
The Companies Act, 2013 does not prescribe a specific penalty of five lakh rupees for a liquidator who accepts an unregistered charge. While Section 77(3) states that a liquidator shall not take an unregistered charge into account, the penalties under Section 86 are directed at the company and its officers in default for failing to comply with the registration requirements.

54. (D) I, II, III, and IV
Under the Companies Act, 1956, specific categories of charges had to be filed with the Registrar. These included charges for debenture issues, uncalled share capital, calls made but unpaid, and floating charges on the company's undertaking or stock-in-trade. These nine specific categories formed the entirety of the registration regime before the more comprehensive 2013 Act was introduced by the legislature.

55. (A) I and II only
Companies must intimate satisfaction within 30 days, though the Registrar can extend this to 300 days. Statement III is incorrect because Section 83 specifically empowers the Registrar to record a memorandum of satisfaction even without the company's official intimation, provided there is sufficient evidence that the debt has been fully paid or the property has been released from the charge.

56. (A) P-4, Q-2, R-1, S-3
Form CHG-1 is used for creating or modifying charges other than debentures. Form CHG-2 is the certificate of registration issued by the Registrar. Form CHG-5 is the certificate of registration of satisfaction. Form CHG-9 is used specifically for creating or modifying charges related to debentures. These forms ensure a standardized process for the public filing and certification of corporate security interests.

57. (A) I, II, IV, and V only
Section 77(3) dictates that liquidators must ignore unregistered charges, making those creditors unsecured. Statement III is incorrect because a creditor's affidavit cannot bypass the legal requirement for registration; without a certificate of registration, the liquidator is legally barred from recognizing the charge. Registered charges will always take priority over unregistered ones during the distribution of assets in the liquidation process.

58. (A) After 120 days - Normal Fees + Penalty of Rs. 50,000
For charges created after 2 November 2018, registration is not permitted after the 120-day period expires. Therefore, there is no provision for paying fees or penalties to register a charge after 120 days. The other timelines are correct: normal fees within 30 days, additional fees up to 60 days, and additional fees plus a CHG-10 application up to 120 days.

59. (A) I, II, and III only
Corporate Guarantees, charges arising by operation of law, and Hundis generally do not require registration under the Companies Act, 2013. However, Statement IV is incorrect because a charge on book debts is considered a charge on the property of the company and must be registered. The Act aims for broad disclosure, only exempting specific instruments that do not create typical liens.

60. (B) Only Statement II is correct.
Statement I is incorrect because an unregistered charge is void against a liquidator under the IBC, 2016, just as it is under the Companies Act. Statement II is correct as it reflects the general principle that the registration date determines priority among creditors. This encourages prompt registration to secure legal rights and priority over any subsequently registered interests on company assets.

61. (C) Submit Form CHG-10 with a secretary or director's declaration.
Since the application is made 71 days after creation, it falls within the 60 to 120-day window for charges created after 2 November 2018. In this scenario, the company must submit Form CHG-10, which includes a declaration from a director or the company secretary. This must be accompanied by the payment of normal fees and the required additional advalorem fees.

62. (A) Give a 14-day notice to the company to register it or show sufficient cause.
When a charge-holder like Finance Co. applies for registration under Section 78, the Registrar is legally required to send a fourteen-day notice to the company. This notice provides the company with an opportunity to either register the charge themselves or show sufficient cause why the registration should not be allowed. This step ensures procedural fairness before the Registrar modifies the register.

63. (D) Assertion (A) is false, but Reason (R) is true.
The assertion is false because the Companies Act, 2013 does not restrict registration to only nine categories; it requires registration for almost all charges. The reason is true because the 2013 Act includes an interest or lien created on the property of a company within the definition of a charge under Section 2(16), which covers both pledges and liens, thereby requiring their registration with the Registrar of Companies to be legally valid.

64. (A) Lender B, because the date of registration determines priority.
Under the Companies Act, 2013, the priority of a charge is generally determined by its date of registration rather than the date of its creation. Since Lender B registered their charge while Lender A did not, Lender B's interest is recorded on the public register first. This grants Lender B legal priority over the warehouse against Lender A's unregistered interest.

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65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
An unregistered charge is ignored by a liquidator under both the IBC and the Companies Act. Section 77(3) explicitly prohibits a liquidator from taking any charge into account unless it is duly registered and a certificate of registration is issued. Therefore, the reason correctly explains why the creditor's status changes from secured to unsecured during the company's winding-up process.

66. (B) 300 days
While Section 82 requires intimation of satisfaction within 30 days, the Registrar has the discretionary power to allow the filing of such intimation within a total period of 300 days from the date of payment. This extension is granted upon an application by the company and the payment of additional fees, providing a flexible window for late compliance with the Act.

67. (C) It crystallizes and becomes a fixed charge on the inventory held at that moment.
When Beta Retailers Ltd. goes into liquidation, the floating charge over its inventory immediately crystallizes. This means the security interest transforms from a general, fluctuating charge into a fixed charge that attaches to the specific inventory held by the company at the commencement of liquidation. At this stage, the company can no longer dispose of these assets in its business.

68. (D) Assertion (A) is false, but Reason (R) is true.
The assertion is false because the Registrar is not entirely dependent on the company's intimation to update the register. The reason is true because Section 83 provides the Registrar with the independent authority to record a memorandum of satisfaction if evidence is presented showing the debt is paid or the property is released, ensuring the public record remains accurate.

69. (D) Finance Co. can apply to the Registrar for filing of the charge in the prescribed manner.
Since Epsilon Logistics failed to register the charge within the initial 30 days, Section 78 allows the charge-holder, Finance Co., to take the initiative. Finance Co. can apply directly to the Registrar for the filing and registration of the charge particulars. This proactive step protects the creditor's security interest from being voided against a liquidator or future secured creditors.

70. (C) Third proviso to Section 77(1)
The third proviso to Section 77(1) of the Companies Act, 2013 is the specific legal provision that determines priority based on registration. It states that a charge registered later cannot prejudice any right acquired in the property before that registration. Consequently, if Lender B registers their charge first, their rights are secured against the unregistered or subsequently registered interests of others.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A floating charge does not attach to specific property upon creation but covers the company's assets generally. This is because the charge is designed to allow the company to carry on its ordinary business using those assets until a specific event triggers crystallization. The reason correctly explains this characteristic by highlighting the dynamic nature of the security and its eventual transformation.

72. (D) The charge cannot be registered after 120 days.
For charges created after the amendment on 2 November 2018, the absolute maximum period for registration is 120 days from the date of creation. This consists of the initial 30 days plus a further 90 days allowed under specific conditions and fee structures. Once 120 days have passed, the Registrar has no legal authority to accept the registration of the charge.

73. (B) Yes, the person in whose favour the charge is created may recover fees from the company.
Section 78(2) of the Companies Act, 2013 explicitly allows the charge-holder to recover the registration fees and any additional fees paid to the Registrar from the company. Since the primary duty to register the charge lies with the company, the law ensures that a creditor who takes action to protect their security is not permanently burdened with registration costs.

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74. (B) 9 September (30 days)
Under Section 82, a company is required to intimate the Registrar about the payment or satisfaction of a charge within thirty days from the date of such payment. Since the loan was repaid on 10 August, the company should file the intimation by 9 September. Failing to meet this 30-day deadline would require the company to seek an extension.

75. (A) Normal Fees
Alpha Ltd. created the charge on 15 May 2019 and submitted the application on 5 June 2019. Since the application was made within twenty-one days, it falls well within the initial thirty-day period prescribed under Section 77. For filings completed within this primary window, only the standard normal fees for charge registration are applicable, with no additional or penalty fees.

76. (D) The liquidator will ignore the charge and treat Bank N as an unsecured creditor.
According to Section 77(3), a charge that is not registered with the Registrar is void against the liquidator. In the event of liquidation, the liquidator is legally required to ignore the unregistered security interest. Consequently, Bank N's claim will be treated as that of an unsecured creditor, meaning they will only receive payments alongside other unsecured creditors from remaining assets.

77. (C) Issue a 14-day show-cause notice to the charge-holder to confirm payment.
Under Section 83, if the Registrar intends to record a memorandum of satisfaction without an intimation from the company, they must ensure the accuracy of the information. This involves issuing a fourteen-day show-cause notice to the charge-holder. This notice allows the creditor to confirm whether the debt has been satisfied or to raise an objection if the claim is outstanding.

78. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Both statements are accurate, but the reason does not directly explain the assertion. The assertion refers to the protection of rights acquired before registration, as per the third proviso of Section 77(1). While the date of registration is critical for determining priority among creditors, the assertion specifically addresses the limitation of a registered charge's effect on previously established rights.

79. (B) Bank N has priority over the unsecured creditor to the extent of the inventory's value.
Upon crystallization, Bank N's floating charge becomes a fixed charge on the inventory. In a liquidation scenario, a secured creditor with a fixed (or crystallized) charge has legal priority over unsecured creditors. Therefore, Bank N is entitled to be paid from the proceeds of the inventory before any distribution is made to the unsecured creditor who supplied office stationery.

80. (A) It is ignored by the liquidator, making Lender A an unsecured creditor.
If Gamma Manufacturing enters winding-up proceedings, Lender A's unregistered charge is rendered void against the liquidator under Section 77(3) of the Companies Act, 2013. The liquidator will not recognize Lender A as a secured creditor regarding the warehouse. Instead, Lender A will be treated as an unsecured creditor, significantly reducing their chances of full recovery compared to Lender B.

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CHAPTER 15

Reserve Bank - Integrated Ombudsman Scheme, 2021

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Oct/Nov 2012

1. What is the maximum tenure for which the Reserve Bank may appoint an Ombudsman or a Deputy Ombudsman at a time?
(A) A period not exceeding one year
(B) A period not exceeding five years
(C) A period up to the age of superannuation
(D) A period not exceeding three years

May/June 2020

2. Identify the incorrect statement regarding the lapsing of an Award passed under the Integrated Ombudsman Scheme, 2021.
(A) The Award shall lapse and be of no effect unless the complainant furnishes a letter of acceptance.
(B) The letter of acceptance must be furnished in full and final settlement within 30 days from the date of receipt of the copy of the Award.
(C) The complainant can furnish the acceptance letter even while pursuing an appeal under the provisions of the Scheme.
(D) The Regulated Entity must intimate compliance to the Ombudsman within 30 days from receiving the acceptance letter, unless it prefers an appeal.

Oct/Nov 2024

3. How is "Settlement" defined under the Reserve Bank - Integrated Ombudsman Scheme, 2021?
(A) An agreement reached by the parties to the complaint exclusively through an arbitration tribunal
(B) A formal decree passed by a recognized court of law binding the Regulated Entity
(C) An agreement reached by the parties to the complaint by facilitation or conciliation or mediation
(D) A directive issued by the Reserve Bank to the Regulated Entity compelling immediate payment

May/June 2005

4. In which of the following situations does a Regulated Entity expressly have no right to appeal against an Award?
(A) When the Award is passed because the matter was not getting resolved through facilitation and based on records placed.
(B) When the Award directs payment of compensation exceeding Rupees 10 lakh.
(C) When the Award is issued on account of non-response or non-furnishing of information sought within the stipulated time.
(D) When the Award includes compensation for the complainant's mental anguish and harassment.

Oct/Nov 2010

5. Under what condition can the Ombudsman proceed ex-parte and pass an Award?
(A) When the complainant fails to hire a professional advocate for representation during the official proceedings
(B) When the Regulated Entity fails to file its written version and supporting documents within the stipulated time
(C) When the Regulated Entity demands a meeting for conciliation but the complainant refuses to participate
(D) When the disputed amount exceeds the maximum jurisdictional limits specified for the Ombudsman to award compensation

May/June 2014

6. Which of the following is the most appropriate action the Appellate Authority may take after giving the parties a reasonable opportunity of being heard?
(A) Imprison the senior executives of the Regulated Entity for deliberate non-compliance with the Scheme's provisions
(B) Dismiss the appeal, set aside the Award, or remand the matter to the Ombudsman for

fresh disposal

(C) Order the immediate closure of all the Regulated Entity's business operations globally without further review

(D) Refer the dispute automatically to the National Company Law Tribunal for immediate corporate liquidation proceedings

Oct/Nov 2019

7. What does the term "Appellate Authority" mean under the Reserve Bank - Integrated Ombudsman Scheme, 2021?

(A) The Deputy Governor in-Charge of the Department of the Reserve Bank administering the Scheme

(B) The Executive Director in-Charge of the Department of the Reserve Bank administering the Scheme

(C) The Chief General Manager of the Centralized Receipt and Processing Centre

(D) The Managing Director of the Regulated Entity against which the complaint is filed

May/June 2008

8. Identify the correct statement about the nature of the proceedings before the Ombudsman.

(A) The proceedings are governed strictly by the provisions of the Indian Evidence Act, 1872.

(B) The proceedings are summary in nature and shall not be bound by any rules of evidence.

(C) The proceedings mandate physical hearings with legal counsel representing both parties.

(D) The proceedings function identically to a high court trial, requiring sworn affidavits for every statement.

Oct/Nov 2016

9. Under which of the following circumstances will a complaint remain maintainable before the Ombudsman?

(A) The complaint relates to general grievances against the Management or Executives of a Regulated Entity.

(B) The complaint alleges a clear deficiency in service by the Regulated Entity resulting in financial loss to the customer.

(C) The grievance was not directly addressed to the Ombudsman but rather to another regulatory body.

(D) The dispute is strictly between two Regulated Entities.

May/June 2022

10. Which of the following reflects the correct conceptual understanding regarding the location and sittings of the Ombudsman's office?

(A) The Ombudsman must hold sittings strictly at the main headquarters of the Reserve Bank of India located within Mumbai

(B) The Ombudsman can only hold sittings at the Centralized Receipt and Processing Centre established for receiving complaints

(C) Offices at places specified by the Reserve Bank, where the Ombudsman may hold sittings as necessary to expedite disposal

(D) The Ombudsman must hold sittings in the physical premises of the Regulated Entity where the initial dispute originated

Oct/Nov 2007

11. Which of the following best reflects the interpretation of "deficiency in service" for the purpose of lodging a complaint?

(A) It requires the customer to prove beyond a reasonable doubt that the Regulated Entity acted with criminal intent.

(B) It applies exclusively to scenarios where the customer has suffered a loss exceeding Rupees 1 lakh.

(C) It only covers instances where a Regulated Entity breaches a written commercial vendor contract.

(D) It is any shortcoming or inadequacy in a financial service that the entity is required to provide, whether or not it causes financial loss.

May/June 2011

12. On which date did the Reserve Bank - Integrated Ombudsman Scheme, 2021 become effective?

(A) January 01, 2006

(B) July 01, 2017

(C) November 12, 2021

(D) August 05, 2022

Oct/Nov 2023

13. Identify the incorrect statement concerning circumstances where a complaint is not maintainable under the Integrated Ombudsman Scheme, 2021.

(A) A complaint is maintainable even if it involves a commercial judgment or commercial decision of a Regulated Entity.

(B) A complaint is not maintainable if it

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(A) An inadequacy in a financial service that must result in a verifiable and quantifiable financial loss to the specific customer
(B) A deliberate act of professional fraud committed by an employee of a Regulated Entity causing significant harm to the customer
(C) The failure of a Regulated Entity to provide interest on various deposits higher than the prevailing market rate in the sector
(D) A shortcoming or inadequacy in a financial service required to be provided, regardless of whether it causes actual loss

Oct/Nov 2022

27. Which of the following is the most appropriate description of a "Complaint" under the Integrated Ombudsman Scheme, 2021?
(A) A representation in writing or other modes alleging deficiency in service on the part of a Regulated Entity
(B) A verbal dissatisfaction expressed by a customer over the phone regarding a bank's internal product pricing strategies
(C) A formal petition filed in a Consumer Court highlighting a bank's systemic failures in its retail banking division
(D) A legal demand notice sent by an advocate on behalf of a vendor seeking payment for services from a Regulated Entity

May/June 2016

28. A complainant wishes to file a complaint directly with the Ombudsman without approaching the Regulated Entity first. What is the correct conceptual requirement for this action?
(A) The complainant must first make a written complaint to the Regulated Entity and can only approach the Ombudsman if the reply is unsatisfactory
(B) The complainant can file the complaint directly if the total disputed amount in question is less than Rupees 20 lakh
(C) The complainant must wait for a period of 60 days after making a formal verbal complaint to the concerned Regulated Entity
(D) The complainant is prohibited from approaching the Ombudsman unless a designated court of law directs them to do so

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Oct/Nov 2011

29. Which of the following entities is explicitly excluded from the definition of a "Non-Banking Financial Company" (NBFC) covered under the Integrated Ombudsman Scheme, 2021?
(A) A Non-Banking Financial Company with customer interface having assets of Rupees 150 crore
(B) NBFC authorized to accept deposits
(C) An Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC)
(D) A Non-Banking Financial Company possessing assets of Rupees 200 crore

May/June 2010

30. Identify the correct statement regarding the coverage of Non-Banking Financial Companies (NBFCs) under the Integrated Ombudsman Scheme, 2021.
(A) All NBFCs, including Housing Finance Companies, are automatically covered under the Scheme regardless of their total asset size
(B) Core Investment Companies (CICs) are strictly covered under the provisions of the Scheme regardless of their current asset size
(C) NBFCs under resolution or winding up are fully covered under the Scheme to protect vulnerable customers from financial loss
(D) NBFCs with customer interface and assets of Rupees 100 crore and above, excluding Housing Finance Companies

Oct/Nov 2015

31. Match the limits in List I with the corresponding contexts in List II:
List I: (Limits)
P. Rupees 50 crore and above
Q. Rupees 100 crore and above
R. Rupees 20 lakh or consequential loss (whichever is lower)
S. Rupees 1 lakh
List II: (Contexts)
1. Maximum compensation for harassment and mental anguish
2. Asset size threshold for NBFC coverage
3. Deposit size threshold for Primary (Urban) Co-operative Banks
4. Maximum compensation Ombudsman can award for specific loss
(A) P-3, Q-2, R-4, S-1
(B) P-2, Q-3, R-1, S-4

suspending the Scheme for a specified Regulated Entity.

May/June 2007

20. Identify the correct statement concerning the staffing and financial responsibility of the office of the Ombudsman and the Centralized Receipt and Processing Centre (CRPC).
(A) The staffing and financial costs of the office of the Ombudsman and the CRPC will be the responsibility of the Reserve Bank
(B) The staffing and operational costs are equally shared between the Reserve Bank and the participating Regulated Entities
(C) The staffing and costs are borne entirely by the respective State Governments where the regional offices are located
(D) The costs are recovered directly from the administrative fees charged to complainants upon filing a formal complaint

Oct/Nov 2025

21. Regarding the suspension of the Integrated Ombudsman Scheme, 2021, which statement reflects the most appropriate scope of the Reserve Bank's authority?
(A) It can only suspend the entire Scheme simultaneously across the country for all regulated entities without any exception
(B) It can suspend the Scheme permanently, replacing it immediately with civil court jurisdiction without providing further notification
(C) It can suspend any clauses of the Scheme, generally or for a specific Regulated Entity, for a specified period
(D) It can delegate the suspension powers to the Chief Executive Officers of individual Regulated Entities for internal management

May/June 2012

22. What is the minimum deposit size criterion for Scheduled and Non-Scheduled Primary (Urban) Co-operative Banks to be covered under the Reserve Bank - Integrated Ombudsman Scheme, 2021?
(A) Rupees 10 crore and above
(B) Rupees 50 crore and above
(C) Rupees 100 crore and above
(D) Rupees 500 crore and above

Oct/Nov 2014

23. What is the core function of the Centralized Receipt and Processing Centre (CRPC) established by the Reserve Bank?
(A) To issue final Awards and strictly enforce compliance from all Regulated Entities registered with the Reserve Bank
(B) To act as the sole Appellate Authority for all complaints rejected by the Ombudsman under the Integrated Scheme
(C) To serve as an exclusive digital portal where Regulated Entities can file grievances against their customers for recovery
(D) To receive complaints under the Scheme, scrutinize them, and conduct initial processing before forwarding them

May/June 2019

24. A complaint will be deemed non-maintainable if it involves which of the following exceptions?
(A) A systemic failure of a payment system affecting multiple customers
(B) An allegation of unauthorized electronic funds transfer from a savings account
(C) A delay by a bank in returning property documents after loan closure
(D) An action initiated by a Regulated Entity in compliance with the orders of a statutory or law enforcing authority

NODIA

Oct/Nov 2006

25. Identify the incorrect statement regarding the definitions provided under the Integrated Ombudsman Scheme, 2021.
(A) "Award" means an award passed by the Ombudsman in accordance with the Scheme.
(B) "Appellate Authority Secretariat" means the Department in the Ministry of Finance which is administering the Scheme.
(C) "System Provider" includes a person who operates an authorized payment system as defined in Clause 2 of the Payment and Settlement Systems Act, 2007.
(D) "System Participant" means a person other than the Reserve Bank and a System Provider, participating in a payment system.

May/June 2018

26. Which of the following best defines "Deficiency in service" under the Reserve Bank - Integrated Ombudsman Scheme, 2021?

relates to a dispute between a vendor and a Regulated Entity regarding an outsourcing contract.
(C) A complaint is not maintainable if the same cause of action is pending before any Court, Tribunal, or Arbitrator.
(D) A complaint is not maintainable if it involves the employee-employer relationship of a Regulated Entity.

May/June 2017

14. Which combination of Acts empowers the Reserve Bank of India to frame the Integrated Ombudsman Scheme, 2021?
(A) Negotiable Instruments Act, 1881; Companies Act, 2013; Reserve Bank of India Act, 1934
(B) Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; Banking Regulation Act, 1949
(C) Banking Regulation Act, 1949; Reserve Bank of India Act, 1934; Payment and Settlement Systems Act, 2007
(D) Consumer Protection Act, 2019; Payment and Settlement Systems Act, 2007; Banking Regulation Act, 1949

Oct/Nov 2005

15. What are the most appropriate factors the Ombudsman shall take into account, in addition to the records placed, before passing a reasoned Award?
(A) The financial profitability and current market capitalization of the Regulated Entity within the competitive sector
(B) The social status of the complainant and their long-term previous relationship with the concerned Regulated Entity
(C) The various opinions published in leading national financial newspapers regarding the nature of the specific dispute
(D) The principles of banking law and practice, directions, instructions, and guidelines issued by the Reserve Bank

May/June 2021

16. Under the Reserve Bank - Integrated Ombudsman Scheme, 2021, who qualifies as an "Authorized Representative"?
(A) A person, other than an advocate, authorized in writing to represent the complainant in the proceedings
(B) A practicing advocate duly appointed and authorized in writing to represent the complainant's legal interests
(C) An executive of the Regulated Entity authorized to present the defense before the Ombudsman during formal hearings
(D) A chartered accountant appointed by the Reserve Bank to facilitate conciliation and mediation between parties

Oct/Nov 2009

17. A complaint is deemed to be resolved under the Integrated Ombudsman Scheme, 2021 in all the following scenarios, except when:
(A) The Regulated Entity unilaterally issues a generic apology letter without the complainant's acceptance or Ombudsman's intervention.
(B) It has been settled by the Regulated Entity with the complainant upon the intervention of the Ombudsman.
(C) The complainant has agreed in writing that the manner and extent of resolution is satisfactory.
(D) The complainant has withdrawn the complaint voluntarily.

May/June 2023

18. Within what timeframe must a Regulated Entity file its written version in reply to the averments in a complaint upon receiving it from the Ombudsman?
(A) Within 15 days
(B) Within 7 days
(C) Within 30 days
(D) Within 45 days

Oct/Nov 2018

19. Identify the incorrect statement regarding the suspension of the Integrated Ombudsman Scheme, 2021.
(A) The Reserve Bank has the authority to suspend the operation of all or any of the clauses of the Scheme.
(B) The suspension can be ordered generally or in relation to any specified Regulated Entity.
(C) The Reserve Bank may extend the period of any suspension ordered from time to time as it deems fit.
(D) The Appellate Authority must obtain approval from the Supreme Court before

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(C) P-4, Q-1, R-3, S-2
(D) P-1, Q-4, R-2, S-3

May/June 2013

32. Consider the following scenarios regarding the resolution of a complaint:
I. Settled by the Regulated Entity with the complainant upon Ombudsman intervention.
II. The complainant agrees in writing that the manner and extent of resolution is satisfactory.
III. The complainant withdraws the complaint voluntarily.
In which of the above scenario(s) is a complaint deemed to be resolved?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) All I, II, and III

Oct/Nov 2021

33. Match the entities in List I with their descriptions in List II:
List I: (Entities)
P. Appellate Authority Secretariat
Q. Deputy Ombudsman
R. Authorized Representative
S. System Participant
List II: (Descriptions)
1. A person participating in a payment system, other than the Reserve Bank and a System Provider
2. The Department in the Reserve Bank administering the Scheme
3. A person appointed by the Reserve Bank to carry out entrusted functions under the Scheme
4. A person, other than an advocate, appointed to represent the complainant
(A) P-2, Q-3, R-4, S-1
(B) P-3, Q-2, R-1, S-4
(C) P-1, Q-4, R-3, S-2
(D) P-2, Q-4, R-3, S-1

May/June 2024

34. Consider the following actions that an Appellate Authority can take after giving parties a reasonable opportunity of being heard:
I. Dismiss the appeal.
II. Allow the appeal and set aside the Award.
III. Remand the matter to the Ombudsman for fresh disposal.
IV. Modify the order of the Ombudsman or Award.
Which of the above action(s) is/are permissible?
(A) Only I, II, and III
(B) Only I, III, and IV
(C) Only II, III, and IV
(D) All I, II, III, and IV

Oct/Nov 2008

35. Consider the following statements regarding the initial scrutiny of complaints:
I. Complaints offering suggestions or seeking guidance shall be closed with a suitable communication.
II. Complaints which are non-maintainable under clause 10 shall be separated to issue a suitable communication to the complainant.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2006

36. Consider the following powers of the Appellate Authority when disposing of an appeal:
I. Dismiss the appeal.
II. Allow the appeal and set aside the Award or order.
III. Remand the matter to the Ombudsman for fresh disposal.
IV. Modify the order of the Ombudsman and pass necessary directions.
V. Pass any other order as it may deem fit.
Which of the above power(s) is/are correctly identified?
(A) Only I, II, IV, and V
(B) Only I, III, IV, and V
(C) Only II, III, IV, and V
(D) All I, II, III, IV, and V

Oct/Nov 2017

37. Consider the following steps for the procedural handling of a complaint. Arrange them in the correct chronological order:
I. Assignment of the remaining complaints to the offices of the Ombudsman for further examination.
II. Receipt of the complaint at the Centralized Receipt and Processing Centre.
III. Filing of the written version by the Regulated

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Financial Company" under the Integrated Ombudsman Scheme, 2021:

I. Core Investment Company (CIC)
II. Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC)
III. A company in resolution or winding up/ liquidation
IV. A System Provider authorized under the Payment and Settlement Systems Act

Which of the above entity/entities is/are excluded?

(A) Only I, II, and III
(B) Only II, III, and IV
(C) Only I, III, and IV
(D) All I, II, and III

May/June 2023

60. Consider the following statements regarding compliance with an Award:

I. The Regulated Entity must comply with the Award within 15 days of its issuance by the Ombudsman.
II. The Award lapses if the complainant does not furnish a letter of acceptance within a period of 30 days from receipt of the copy of the Award.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2018

61. An IT services company provides cloud hosting to a large Commercial Bank. A payment dispute arises where the IT company claims the bank has not cleared invoices worth Rupees 50 lakh for three months. The IT company files a complaint with the Ombudsman. How will the Ombudsman treat this complaint?

(A) The Ombudsman will admit the complaint as the disputed amount is well within the twenty lakh compensation limit allowed.
(B) The Ombudsman will forward the complaint to the CRPC to initiate mediation and conciliation between the parties.
(C) Dismiss the complaint as it relates to a dispute regarding an outsourcing contract between a vendor and a Regulated Entity.
(D) The Ombudsman will issue an ex-parte Award against the bank for failing to pay a registered vendor on time.

May/June 2007

62. On August 10, 2022, a customer files a grievance against a Credit Information Company (CIC) alleging an uncorrected error in their credit report causing loan rejection. Will this complaint be entertained under the Integrated Ombudsman Scheme, 2021?

(A) Yes, because RBI directives mandate that CICs shall be treated as a 'Regulated Entity' for the Scheme.
(B) No, Credit Information Companies are strictly excluded from the purview of the Integrated Ombudsman Scheme.
(C) No, CICs are only answerable to the National Consumer Disputes Redressal Commission for credit report errors.
(D) Yes, but only if the CIC holds a minimum asset size of Rupees 100 crore and above at the time.

Oct/Nov 2025

63. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option to describe the relationship between them:

Assertion (A): A Regulated Entity has the right to prefer an appeal against an Award issued due to its failure to furnish documents/information under clause 15(1)(a).

Reason (R): The Scheme provides for a structured appellate mechanism for aggrieved parties to seek redress against certain decisions or Awards.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2012

64. A customer suffers a direct consequential financial loss of Rupees 25 lakh due to a gross deficiency in service by a Payment System Participant. The Ombudsman finds the entity entirely at fault. What is the maximum compensation amount the Ombudsman can direct the entity to pay for this consequential loss under the Award?

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issue an Award
(A) P-1, Q-4, R-2, S-3
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-3, Q-1, R-4, S-2

Oct/Nov 2012

43. Consider the following conditions for a complainant wishing to prefer an appeal against the rejection of a complaint:
I. The complainant must be aggrieved by the rejection of a complaint under clauses 16(2)(c) to 16(2)(f).
II. The appeal must be preferred before the Appellate Authority within 30 days of the date of receipt of the rejection.
III. The complainant must obtain previous sanction from a practicing advocate before filing the appeal.
Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) All I, II, and III

May/June 2020

44. Consider the following statements regarding the initial scrutiny of complaints:
I. Complaints offering suggestions or seeking guidance shall be closed with a suitable communication.
II. Complaints which are non-maintainable under clause 10 shall be separated to issue a suitable communication to the complainant.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2024

45. Consider the following statements regarding the resolution process under the Integrated Ombudsman Scheme, 2021:
I. The Ombudsman shall endeavor to promote settlement through facilitation, conciliation, or mediation.
II. Proceedings are summary in nature and not bound by rules of evidence.
III. The Regulated Entity must file its written version within 15 days of receiving the complaint.
IV. If an amicable settlement is arrived at, it must be recorded and signed by both parties.
V. A complaint is deemed resolved if the complainant withdraws it voluntarily.
Which of the above statement(s) is/are correct?
(A) Only I, II, III, and IV
(B) Only I, III, IV, and V
(C) Only II, III, IV, and V
(D) All I, II, III, IV, and V

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May/June 2005

46. Consider the following events regarding the passing and execution of an Award. Arrange them in the correct chronological sequence:
I. The Regulated Entity intimates compliance to the Ombudsman.
II. The Ombudsman passes a reasoned Award.
III. The complainant furnishes a letter of acceptance of the Award in full and final settlement.
IV. The Regulated Entity complies with the Award.
V. A copy of the Award is sent to the complainant and the Regulated Entity.
(A) II, V, IV, III, I
(B) II, V, III, IV, I
(C) V, II, III, I, IV
(D) II, III, V, IV, I

Oct/Nov 2010

47. Consider the following statements regarding the valid procedures for filing a complaint:
I. Lodged online through the portal designed for the purpose.
II. Submitted in electronic mode to the Centralized Receipt and Processing Centre.
III. Submitted in physical form, duly signed by the complainant or authorized representative.
IV. Lodged personally or through an authorized representative (who is an advocate).
Which of the above statement(s) is/are correct?
(A) Only I, II, and III
(B) Only II, III, and IV
(C) Only I, III, and IV
(D) All I, II, and III

May/June 2014

48. Identify the correct pair representing the Act and the specific Clause under which the Reserve Bank integrated the Ombudsman schemes.
(A) Payment and Settlement Systems Act, 2007

– Clause 35A
(B) Reserve Bank of India Act, 1934 – Clause 45L
(C) Banking Regulation Act, 1949 – Clause 45L
(D) Banking Regulation Act, 1949 – Clause 18

Oct/Nov 2019

49. Consider the following statements regarding the written version to be filed by a Regulated Entity:
I. It must be filed within 15 days before the Ombudsman for resolution.
II. The Ombudsman has no power to grant any further time beyond the initial 15 days.
III. It must enclose copies of the documents relied upon in reply to the averments in the complaint.
Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only I and III
(C) Only II and III
(D) All I, II, and III

May/June 2008

50. Consider the following statements regarding the resolution process:
I. The Ombudsman shall endeavor to promote settlement through facilitation, conciliation, or mediation.
II. If a settlement is arrived at, the fact of settlement may be recorded, annexing the terms of settlement, and directing parties to comply within the stipulated time.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2016

51. Consider the following statements regarding the procedure and rights concerning an ex-parte Award:
I. It occurs when a Regulated Entity omits or fails to file its written version and documents within the stipulated time.
II. The Ombudsman proceeds based on the evidence available on record.
III. The Regulated Entity retains full rights to prefer an appeal against the ex-parte Award.
IV. It involves passing an appropriate Order or issuing an Award.
V. The Award is issued explicitly on account of non-response or non-furnishing of information.
Which of the above statement(s) is/are correct?
(A) Only I, II, III, and V
(B) Only I, II, IV, and V
(C) Only I, III, IV, and V
(D) All I, II, III, IV, and V

May/June 2022

52. Match the appeal triggers in List I with the corresponding timeframes in List II:
List I: (Appeal Triggers)
P. Complainant filing an appeal against an Award
Q. Regulated Entity filing an appeal against an Award
R. Extension period Appellate Authority may allow for filing an appeal
S. Regulated Entity's deadline to comply with an accepted Award
List II: (Timeframes)
1. 30 days from the date RE receives the letter of acceptance from the complainant
2. Within 30 days of the date of receipt of the Award or rejection
3. Within 30 days from the date of receipt of the letter of acceptance from the complainant
4. A further period not exceeding 30 days
(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-3, R-2, S-4
(C) P-3, Q-2, R-1, S-4
(D) P-2, Q-4, R-1, S-3

Oct/Nov 2007

53. Identify the incorrect pair regarding the provisions for preferring an appeal.
(A) Complainant's Appeal – Filed within 30 days of the date of receipt of the Award or rejection
(B) Appellate Authority's Power – May remand the matter to the Ombudsman for fresh disposal
(C) Regulated Entity's Appeal against Ex-parte Award – Filed within 30 days with prior sanction of the Chairman
(D) Extension of time for appeal – Appellate Authority may allow a further period not exceeding 30 days

May/June 2011

54. Consider the following statements regarding the contents and limitations of an Award:

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I. The Award shall contain directions for specific performance of obligations by the Regulated Entity.
II. The Award may direct payment of compensation for consequential loss suffered, up to Rupees 20 lakh.
III. The Award may grant an additional compensation not exceeding Rupees 1 lakh for harassment and mental anguish.
IV. The compensation awarded shall be inclusive of the amount involved in the dispute.

Which of the above statement(s) is/are correct?
(A) Only I, II, and III
(B) Only I, III, and IV
(C) Only II, III, and IV
(D) All I, II, III, and IV

Oct/Nov 2023

55. Consider the following statements regarding the procedure after a complaint passes initial scrutiny at the CRPC:
I. The remaining complaints are assigned to the offices of the Ombudsman for further examination.
II. An immediate ex-parte Award is issued against the Regulated Entity without seeking a reply.
III. A copy of the complaint is forwarded to the Regulated Entity with a direction to submit its written version.

Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only I and III
(C) Only II and III
(D) All I, II, and III

May/June 2017

56. Match the scenarios in List I with their appropriate non-maintainability criteria in List II:
List I: (Scenarios)
P. A complaint by a software provider against a bank regarding payment
Q. A complaint regarding the bank's decision on interest rate pricing
R. A complaint regarding disciplinary action against a bank teller
S. A complaint regarding a service outside the regulatory purview of RBI
List II: (Criteria)
1. Services not within the regulatory purview of the Reserve Bank
2. Dispute between a vendor and a Regulated Entity relating to an outsourcing contract
3. Employee-employer relationship of a Regulated Entity
4. Commercial judgment/commercial decision of a Regulated Entity
(A) P-2, Q-4, R-3, S-1
(B) P-4, Q-2, R-1, S-3
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-4, R-2, S-1

Oct/Nov 2005

57. Consider the following circumstances regarding the non-maintainability of a complaint under Clause 10(1) of the Integrated Ombudsman Scheme, 2021:
I. Commercial judgment of a Regulated Entity.
II. Dispute between a vendor and a Regulated Entity relating to an outsourcing contract.
III. General grievances against Management or Executives.
IV. Services not within the regulatory purview of the Reserve Bank.
V. Disputes between Regulated Entities.

Which of the above statement(s) is/are correct?
(A) Only I, II, IV, and V
(B) Only II, III, IV, and V
(C) Only I, III, IV, and V
(D) All I, II, III, IV, and V

May/June 2021

58. Identify the incorrect statement from the definitions provided under the Integrated Ombudsman Scheme, 2021.
(A) Deficiency in service – A shortcoming required to be provided statutorily, strictly resulting in financial loss
(B) Authorized Representative – A person, other than an advocate, duly appointed to represent the complainant
(C) Settlement – An agreement reached by the parties by facilitation or conciliation or mediation
(D) Appellate Authority – Executive Director in-Charge of the Department administering the Scheme

Oct/Nov 2009

59. Consider the following entities regarding their exclusion from the definition of a "Non-Banking

NODIA

the complaint voluntarily.

May/June 2016

70. In addition to a dispute involving a misdirected funds transfer, a complainant provides verifiable evidence of having spent considerable time and incurred travel expenses, alongside suffering significant mental harassment due to the bank's uncooperative behavior. What is the maximum additional compensation the Ombudsman can award for these specific grievances?
(A) Rupees 5 lakh
(B) Rupees 10 lakh
(C) Rupees 1 lakh
(D) Rupees 20 lakh

Oct/Nov 2011

71. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option to describe the relationship between them:
Assertion (A): A complaint under the Scheme shall not lie if the complaint is abusive, frivolous, or vexatious in nature.
Reason (R): The Scheme aims to resolve genuine grievances alleging deficiency in service and avoids wasting the Ombudsman's time on non-meritorious claims.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

72. Ms. Sharma filed a written complaint with her NBFC regarding a hidden fee charge on January 1, 2022. She never received a reply. She decides to approach the Ombudsman. What is the outermost deadline for her to validly file this complaint before the Ombudsman?
(A) January 31, 2022
(B) December 31, 2022
(C) February 15, 2023
(D) January 31, 2023

Oct/Nov 2015

73. A customer had a dispute with a commercial bank in 2018. They filed a written representation to the bank at that time, which was rejected in writing the same year. In December 2021, the customer discovers the new Integrated Ombudsman Scheme and files a complaint based on that 2018 rejection. How will the Centralized Receipt and Processing Centre (CRPC) handle this complaint during initial scrutiny?
(A) It will be accepted as the new Scheme covers all historical disputes regardless of the original date of rejection.
(B) It is non-maintainable because it is made more than one year after receiving the reply from the Regulated Entity.
(C) It will be assigned to the Deputy Ombudsman for a final ex-parte decision based on the historical documents.
(D) It will be forwarded to the bank to request a fresh written version and a new attempt at reconciliation.

May/June 2013

74. A Regulated Entity (RE) receives a copy of an Award directing it to pay compensation. The complainant submits the letter of acceptance to the RE on March 1. The RE strongly disagrees with the Award and decides to appeal. To ensure the appeal is timely, from which date does the 30-day period for filing the appeal commence for the RE?
(A) The date the Ombudsman passed the Award.
(B) The date the complaint was originally filed at the CRPC.
(C) The date the RE initially filed its written version.
(D) The date the RE receives the letter of acceptance of Award from the complainant (March 1).

Oct/Nov 2021

75. A customer residing in a remote village drafts a physical, handwritten complaint regarding a deficient service by a Scheduled Primary (Urban) Co-operative Bank. He drops it in the mail addressed to the Reserve Bank of India, Mumbai. According to the Integrated Ombudsman Scheme, 2021, how should this physical complaint be handled?
(A) It should be forwarded to the Centralized Receipt and Processing Centre for scrutiny and initial processing.
(B) It should be summarily rejected as all

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(A) Rupees 20 lakh
(B) Rupees 25 lakh
(C) Rupees 10 lakh
(D) Rupees 1 lakh

Oct/Nov 2014

65. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option to describe the relationship between them:
Assertion (A): The Reserve Bank integrated the three existing ombudsman schemes into the Reserve Bank - Integrated Ombudsman Scheme, 2021.
Reason (R): The Reserve Bank was satisfied that it is in the public interest to do so and to make the alternate dispute redress mechanism simpler and more responsive to the customers.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2019

66. The compliance department of an NBFC drafts an appeal against an Award passed by the Ombudsman and wishes to file it immediately with the Appellate Authority. However, the appeal document is signed only by a junior legal officer. Under the Integrated Ombudsman Scheme, 2021, what critical procedural requirement is missing for the RE's appeal to be valid?
(A) It requires the previous sanction and formal approval of the Reserve Bank of India Governor's office.
(B) It requires the previous sanction of the Chairman, Managing Director, or Chief Executive Officer of the NBFC.
(C) It requires a clearance certificate issued by the Centralized Receipt and Processing Centre for filing appeals.
(D) It requires the explicit and documented written consent of the complainant who received the Award.

Oct/Nov 2006

67. Mr. Sharma filed a written complaint with her NBFC regarding a hidden fee charge on January 1, 2022. She never received a reply. She decides to approach the Ombudsman. What is the outermost deadline for her to validly file this complaint before the Ombudsman?
(A) January 31, 2022
(B) December 31, 2022
(C) February 15, 2023
(D) January 31, 2023

May/June 2018

68. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option to describe the relationship between them:
Assertion (A): The Reserve Bank may extend the period of any suspension ordered under the Scheme from time to time as it deems fit.
Reason (R): The suspension mechanism provides flexibility to the Reserve Bank to pause the Scheme's operations generally or for specific entities based on evolving regulatory requirements.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2022

69. During the facilitation process initiated by the Ombudsman, the Regulated Entity realizes its error and immediately rectifies the deficiency to the complete satisfaction of the customer. Happy with the outcome, the customer writes to the Ombudsman explicitly stating they wish to drop the matter. How will the Ombudsman officially treat this complaint?
(A) The Ombudsman will mandate an ex-parte Award to penalize the RE for the initial error.
(B) The Ombudsman will transfer the case to the Appellate Authority for a final review.
(C) The complaint will be classified as non-maintainable due to frivolous filing.
(D) The complaint would be deemed to be resolved as the complainant has withdrawn

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Entity within 15 days.
IV. Initial scrutiny to separate non-maintainable complaints and those merely seeking guidance.
V. Initiation of facilitation, conciliation, or mediation by the Ombudsman.
(A) II, IV, I, III, V
(B) II, I, IV, V, III
(C) IV, II, I, III, V
(D) II, IV, III, I, V

May/June 2009

38. Consider the following Ombudsman schemes:
I. The Banking Ombudsman Scheme, 2006
II. The Ombudsman Scheme for Non-Banking Financial Companies, 2018
III. The Ombudsman Scheme for Digital Transactions, 2019
Which of the above schemes was/were repealed and integrated into the Reserve Bank - Integrated Ombudsman Scheme, 2021?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) All I, II, and III

Oct/Nov 2013

39. Consider the following statements regarding when a complaint shall NOT lie under the Integrated Ombudsman Scheme, 2021:
I. The complaint is made to the Ombudsman after two years of receiving a reply from the Regulated Entity.
II. The complaint is in respect of the same cause of action pending before an Arbitrator.
III. The complaint to the Regulated Entity was made before the expiry of the period of limitation prescribed under the Limitation Act, 1963.
IV. The complaint is abusive, frivolous, or vexatious in nature.
Which of the above statement(s) is/are correct?
(A) Only I, II, and IV
(B) Only II, III, and IV
(C) Only I, III, and IV
(D) All I, II, and III, and IV

May/June 2015

40. Identify the correct pair matching the entity to its eligibility criterion for coverage under the Integrated Ombudsman Scheme, 2021.
(A) Scheduled Primary (Urban) Cooperative Banks – Asset size of Rupees 100 crore and above
(B) Non-Banking Financial Companies – Deposit size of Rupees 50 crore and above
(C) Housing Finance Companies – Asset size of Rupees 100 crore and above
(D) Non-Scheduled Primary (Urban) Co-operative Banks – Deposit size of Rupees 50 crore and above

Oct/Nov 2020

41. Consider the following Acts and Clauses regarding the integration of the Ombudsman Scheme:
I. Clause 35A of the Banking Regulation Act, 1949
II. Clause 45L of the Reserve Bank of India Act, 1934
III. Clause 18 of the Payment and Settlement Systems Act, 2007
IV. Section 22 of the Credit Information Companies (Regulation) Act, 2005
V. Section 10 of the Foreign Exchange Management Act, 1999
Which of the above correctly identifies the sources empowering the Reserve Bank to introduce the Integrated Ombudsman Scheme, 2021?
(A) Only I, II, and III
(B) Only II, III, and IV
(C) Only I, III, and V
(D) All I, II, III, IV, and V

May/June 2025

42. Match the resolution/closure scenarios in List I with the corresponding outcomes in List II:
List I: (Scenarios)
P. Complaint offering suggestions or seeking guidance
Q. Regulated Entity fails to file written version in 15 days
R. Complainant withdraws the complaint voluntarily
S. Complainant furnishes acceptance letter within 30 days
List II: (Outcomes)
1. Deemed to be resolved
2. Award becomes effective and RE must comply
3. Closed accordingly with a suitable communication at initial scrutiny
4. Ombudsman may proceed ex-parte and

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complaints must strictly be filed online through the CMS portal.

(C) It must be returned to the customer with instructions to submit it to the Appellate Authority.

(D) It should be sent directly to the concerned Co-operative Bank for an internal audit.

May/June 2024

76. The Ombudsman receives a valid complaint and forwards a copy to the concerned bank. The Ombudsman asks the bank to provide certified copies of specific transaction documents. The bank ignores the requisition and fails to file a written version within 15 days, nor does it request an extension. What is the most appropriate next step for the Ombudsman?

(A) The Ombudsman must close the complaint due to a lack of evidence received from the bank within the timeframe.

(B) The Ombudsman must visit the bank's premises in person to confiscate the necessary transaction documents immediately.

(C) The Ombudsman must grant an automatic 30-day extension to the bank regardless of whether it requested one.

(D) The Ombudsman may infer that the bank has no information to furnish and proceed to pass an ex-parte Order or Award.

Oct/Nov 2008

77. The Reserve Bank observes a systemic technical glitch in a specific System Provider's network, causing thousands of duplicate complaints to flood the CRPC, severely disrupting the Scheme's operations. To manage this, the RBI issues an order suspending the operation of the Scheme specifically in relation to this single System Provider for 60 days. Is this action permissible?

(A) No, the Scheme can only be suspended generally for all regulated entities across the country at the same time.

(B) No, suspension of the Scheme requires a prior and mandatory mandate from the Appellate Authority Secretariat.

(C) Yes, the RBI has authority to suspend the Scheme generally or in relation to any specified Regulated Entity.

(D) Yes, but only if the specific System Provider voluntarily requests the suspension of the Scheme's operations.

May/June 2006

78. The following question consists of two statements, an Assertion (A) and a Reason (R). Choose the correct option to describe the relationship between them:

Assertion (A): The Appellate Authority may allow a Regulated Entity a further period not exceeding 30 days to file an appeal.

Reason (R): The Appellate Authority must be satisfied that the Regulated Entity had sufficient cause for not making the appeal within the initial stipulated time.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2017

79. A physical complaint letter arrives at the Centralized Receipt and Processing Centre (CRPC) detailing unauthorized transactions. However, the letter is entirely unsigned by the complainant and lacks any authorization signature. Based on the procedural requirements, what is the status of this complaint?

(A) It will be accepted and processed immediately as signatures are optional under the Scheme.

(B) It will be treated as invalid, as physical complaints must be duly signed by the complainant or authorized representative.

(C) It will be forwarded to the police for criminal investigation.

(D) It will be assigned to a Deputy Ombudsman to personally visit the complainant for verification.

May/June 2009

80. The Ombudsman passes an Award in favor of a complainant, granting a compensation of Rupees 50,000. The complainant receives the Award but feels the amount is too low and decides to file an appeal with the Appellate Authority. Consequently, the complainant does not furnish the letter of acceptance within 30 days. What happens to the original Award?

(A) The complainant may withhold acceptance while filing an appeal under the Scheme,

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preventing the Award from lapsing.

(B) The Award becomes legally binding on all parties and the bank must pay the 50,000 compensation amount immediately.

(C) The Award is suspended by the bank until the Appellate Authority decides on the merits of the case.

(D) The Award automatically doubles in value due to the procedural delay in providing the letter of acceptance.

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ANSWERS

1. (D) A period not exceeding three years
The Reserve Bank of India appoints the Ombudsman and Deputy Ombudsman to handle grievances. According to the regulatory framework of the Integrated Ombudsman Scheme, 2021, these officials are appointed for a fixed term. The maximum duration for such an appointment is three years at a time, ensuring periodic review and administrative rotation within the grievance redressal mechanism.

2. (C) The complainant can furnish the acceptance letter even while pursuing an appeal under the provisions of the Scheme.
Under the Integrated Ombudsman Scheme, an Award lapses if the complainant fails to provide a letter of acceptance within thirty days. Crucially, the process of accepting an Award in full and final settlement is mutually exclusive with pursuing an appeal. A complainant who wishes to appeal the decision is not required to submit an acceptance letter beforehand.

3. (C) An agreement reached by the parties to the complaint by facilitation or conciliation or mediation
In the context of the Integrated Ombudsman Scheme, 2021, settlement refers to the resolution of a grievance through collaborative methods. This process involves reaching a mutual agreement between the complainant and the regulated entity. Such outcomes are typically achieved through the intervention of the Ombudsman using techniques like facilitation, conciliation, or mediation rather than through formal adjudication.

4. (C) When the Award is issued on account of non-response or non-furnishing of information sought within the stipulated time.
Regulated entities are generally permitted to appeal against awards under specific conditions. However, the scheme restricts this right if the award is passed due to the entity's failure to provide required information. If a regulated entity does not respond or furnish requested documents within the given timeframe, it loses the opportunity to contest the resulting award via the appellate authority.

5. (B) When the Regulated Entity fails to file its written version and supporting documents within the stipulated time
The Ombudsman possesses the authority to proceed ex-parte if a regulated entity displays negligence during the resolution process. This occurs specifically when the entity fails to submit its written version of the facts and necessary supporting documentation within fifteen days. By proceeding based on available records, the Ombudsman ensures that the grievance redressal process is not unnecessarily delayed by non-compliance.

6. (B) Dismiss the appeal, set aside the Award, or remand the matter to the Ombudsman for fresh disposal
The Appellate Authority serves as a secondary level of review for decisions made by the Ombudsman. Upon hearing both parties, the authority has several procedural options to conclude the matter. It may choose to dismiss the appeal, set aside the original award, modify the decision, or send the case back to the Ombudsman for a new evaluation and disposal.

7. (B) The Executive Director in-Charge of the Department of the Reserve Bank administering the Scheme
Under the framework of the Integrated Ombudsman Scheme, 2021, the Appellate Authority is a high-ranking official within the Reserve Bank of India. Specifically, the role is performed by the Executive Director in-charge of the department responsible for administering the scheme. This official reviews appeals filed by either the complainant or the regulated entity against the Ombudsman's decisions or awards.

8. (B) The proceedings are summary in nature and shall not be bound by any rules of evidence.
The Integrated Ombudsman Scheme provides an alternate dispute resolution mechanism that prioritizes efficiency and speed over strict

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77. (C) Yes, the RBI has authority to suspend the Scheme generally or in relation to any specified Regulated Entity.
The Reserve Bank of India possesses the administrative power to manage the Integrated Ombudsman Scheme's operations. This includes the ability to suspend the scheme's application to a particular regulated entity if circumstances warrant such action. By suspending the scheme for a specific system provider during a systemic glitch, the RBI can manage the flow of complaints and ensure overall stability.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Appellate Authority has the discretion to allow additional time for filing an appeal beyond the initial thirty-day window. This extension is capped at a further thirty days. To grant this extension, the authority must be satisfied that the appellant had a legitimate reason for the delay, ensuring that the process remains fair while maintaining procedural discipline.

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79. (B) It will be treated as invalid, as physical complaints must be duly signed by the complainant or authorized representative.
Procedural integrity is essential for the processing of grievances under the Integrated Ombudsman Scheme. For a physical complaint to be considered valid, it must bear the signature of the complainant or their authorized representative. An unsigned letter lacks the necessary verification of the sender's identity and intent, and therefore, it will be treated as invalid during initial scrutiny.

80. (A) The complainant may withhold acceptance while filing an appeal under the Scheme, preventing the Award from lapsing.
A complainant dissatisfied with an Ombudsman's award can appeal to the Appellate Authority. In this situation, the requirement to furnish an acceptance letter within thirty days is stayed. The award does not lapse while the appeal is pursued. This allows the complainant to seek a review without losing the potential benefit of the original award decision.

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disputes. An authorized representative is defined as any person, excluding a practicing advocate, who has been given written permission by the complainant to act on their behalf. This provision ensures that the process remains informal and accessible without necessitating the involvement of legal professionals in proceedings.

17. (A) The Regulated Entity unilaterally issues a generic apology letter without the complainant's acceptance or Ombudsman's intervention.
A complaint is considered resolved under the scheme through specific formal actions. This includes instances where the entity settles with the customer upon the Ombudsman's intervention, the complainant withdraws the matter voluntarily, or provides written satisfaction. A unilateral action by the entity, such as sending a generic apology without resolving the underlying issue or gaining the customer's acceptance, is insufficient.

18. (A) Within 15 days
Speed is critical for the Ombudsman's dispute resolution process. Once a complaint is forwarded, the regulated entity is legally required to respond promptly. The scheme mandates that the entity must file its written version, including all supporting documents and transaction records, within fifteen days. This strict timeline ensures that grievances are addressed and resolved without any undue delay.

19. (D) The Appellate Authority must obtain approval from the Supreme Court before suspending the Scheme for a specified Regulated Entity.
The Reserve Bank of India maintains complete administrative control over the operation of the Integrated Ombudsman Scheme. This includes the power to suspend any or all clauses of the scheme, either generally or for specific entities. Such decisions are within the central bank's regulatory purview and do not require the approval of judicial bodies like the Supreme Court of India.

20. (A) The staffing and financial costs of the office of the Ombudsman and the CRPC will be the responsibility of the Reserve Bank
To maintain the independence and impartiality of the grievance redressal mechanism, the Integrated Ombudsman Scheme is funded entirely by the central bank. The Reserve Bank of India bears all expenses related to the staffing, infrastructure, and operations of the Ombudsman offices and the Centralized Receipt and Processing Centre. No costs are passed on to the complainants or regulated entities.

21. (C) It can suspend any clauses of the Scheme, generally or for a specific Regulated Entity, for a specified period
The Reserve Bank of India has the flexibility to manage the implementation of the Integrated Ombudsman Scheme through its suspension powers. It can choose to suspend specific clauses or the entire scheme for a determined period. This suspension can be applied broadly across the entire sector or targeted at a particular regulated entity, depending on the regulatory requirements or public interest.

22. (B) Rupees 50 crore and above
The Integrated Ombudsman Scheme covers cooperative banks to protect their customers. For Scheduled and Non-Scheduled Primary (Urban) Co-operative Banks, eligibility is determined by deposit size. Any such bank with a deposit size of fifty crore rupees or more, as per the audited balance sheet of the previous financial year, falls under the mandatory coverage of this scheme.

23. (D) To receive complaints under the Scheme, scrutinize them, and conduct initial processing before forwarding them
The Centralized Receipt and Processing Centre acts as the primary gateway for all grievances filed under the Integrated Ombudsman Scheme. Its main function is to receive complaints from across the country, perform an initial scrutiny to determine maintainability, and process the documents. After this initial vetting, valid complaints are assigned to the respective Ombudsman offices for final resolution.

24. (D) An action initiated by a Regulated Entity in compliance with the orders of a statutory or law enforcing authority
A complaint is not maintainable before the Ombudsman if the regulated entity's action was taken to comply with legal mandates. When an entity acts under the direct orders of a statutory body, court, or law enforcement authority, such actions are excluded from the scheme's

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purview. This ensures that the Ombudsman does not interfere with the lawful execution of governmental or judicial orders.

25. (B) "Appellate Authority Secretariat" means the Department in the Ministry of Finance which is administering the Scheme.
The terminology used in the Integrated Ombudsman Scheme clarifies the administrative roles involved. The Appellate Authority Secretariat is specifically defined as the department within the Reserve Bank of India that administers the scheme. It is not a department under the Ministry of Finance. This distinction highlights the central bank's independent role in managing and overseeing the entire dispute resolution framework.

26. (D) A shortcoming or inadequacy in a financial service required to be provided, regardless of whether it causes actual loss
Deficiency in service represents the core ground for lodging a complaint under the Integrated Ombudsman Scheme. It refers to any inadequacy, shortcoming, or imperfection in the quality or nature of financial services that an entity is obligated to perform. Notably, the scheme protects customers even in cases where a service failure does not result in a direct financial loss.

27. (A) A representation in writing or other modes alleging deficiency in service on the part of a Regulated Entity
Under the Integrated Ombudsman Scheme, a complaint is formally recognized as a written representation or a submission through other authorized electronic modes. It must clearly allege a deficiency in service by a regulated entity. This formal submission initiates the grievance redressal process, allowing the Centralized Receipt and Processing Centre and the Ombudsman to evaluate the merits of the customer's claims.

28. (A) The complainant must first make a written complaint to the Regulated Entity and can only approach the Ombudsman if the reply is unsatisfactory
The scheme requires customers to follow a specific sequence for dispute resolution. A complainant must initially file a written grievance with the regulated entity involved. Only if the entity rejects the complaint, provides an unsatisfactory response, or fails to reply within thirty days can the customer then escalate the matter to the Ombudsman. Direct filing without this step is not permitted.

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29. (C) An Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC)
While the Integrated Ombudsman Scheme covers a wide range of Non-Banking Financial Companies, certain specialized categories are explicitly excluded. Infrastructure Debt Fund-NBFCs are among those not covered by the scheme's provisions. Other excluded categories include Core Investment Companies and companies currently undergoing resolution, winding up, or liquidation. The scheme primarily focuses on NBFCs that have a direct customer interface.

30. (D) NBFCs with customer interface and assets of Rupees 100 crore and above, excluding Housing Finance Companies
The Integrated Ombudsman Scheme applies to specific Non-Banking Financial Companies based on their asset size and nature of operations. NBFCs with a customer interface and assets of at least one hundred crore rupees are covered. Notably, the definition specifically includes Housing Finance Companies, ensuring they are integrated into the same grievance redressal mechanism as other NBFCs.

31. (A) P-3, Q-2, R-4, S-1
Different thresholds and limits define the scope of the Integrated Ombudsman Scheme. A fifty crore deposit size applies to urban cooperative banks, while a hundred crore asset size is required for NBFC coverage. Regarding compensation, the Ombudsman can award up to twenty lakh rupees for direct losses and a separate amount of up to one lakh rupees for mental harassment.

32. (D) All I, II, and III
A complaint is considered resolved under the Integrated Ombudsman Scheme when it reaches a definitive conclusion through several possible pathways. These include a settlement reached through the Ombudsman's intervention, the complainant's written confirmation of satisfaction with the resolution provided by the entity, or the voluntary withdrawal of the

complaint by the customer. All these scenarios effectively close the grievance process.

33. (A) P-2, Q-3, R-4, S-1
The Integrated Ombudsman Scheme defines various stakeholders to ensure operational clarity. The Appellate Authority Secretariat is a Reserve Bank department, while the Deputy Ombudsman is an appointed official performing entrusted functions. Authorized representatives are non-advocates representing complainants. Lastly, a system participant is an entity, other than the central bank or a system provider, that actively takes part in a payment system.

34. (D) All I, II, III, and IV
The Appellate Authority possesses broad powers when reviewing appeals against the Ombudsman's decisions. After ensuring both parties have a fair opportunity to be heard, the authority can choose several courses of action. It may dismiss the appeal entirely, set aside the original award, remand the case back for fresh consideration, or modify the Ombudsman's order to ensure a just outcome.

35. (C) Both I and II
During the initial stage of processing, the Centralized Receipt and Processing Centre scrutinizes incoming communications to ensure they meet the scheme's requirements. Complaints that merely offer suggestions or seek guidance are closed with appropriate communication. Similarly, grievances identified as non-maintainable under the specific criteria of the scheme are separated and the complainants are notified accordingly to streamline the redressal process.

36. (D) All I, II, III, IV, and V
The Appellate Authority is empowered with comprehensive decision-making abilities to finalize disputes under the Integrated Ombudsman Scheme. This includes the power to dismiss appeals, set aside or modify awards, and remand matters to the Ombudsman. Furthermore, the authority can issue any other directions or orders it deems fit to achieve the objectives of the scheme and provide fair redressal.

37. (A) II, IV, I, III, V
The procedural journey of a complaint begins with its receipt at the Centralized Receipt and Processing Centre. Following initial scrutiny to remove non-maintainable items, remaining complaints are assigned to Ombudsman offices. The regulated entity is then required to file its written version within fifteen days. Finally, the Ombudsman initiates the resolution process through facilitation, conciliation, or mediation to reach a settlement.

38. (D) All I, II, and III
The 2021 Integrated Ombudsman Scheme was designed to create a unified framework for the entire country. To achieve this, the Reserve Bank repealed three pre-existing specialized schemes: the Banking Ombudsman Scheme (2006), the Ombudsman Scheme for Non-Banking Financial Companies (2018), and the Ombudsman Scheme for Digital Transactions (2019). These were integrated into a single, comprehensive mechanism for customers.

39. (A) Only I, II, and IV
A complaint is considered non-maintainable under several specific conditions. This includes cases where the grievance is filed more than one year after the entity's reply, or if the matter is already pending before another legal forum like an arbitrator. Additionally, the Ombudsman will not entertain complaints that are found to be abusive, frivolous, or vexatious in their nature.

40. (D) Non-Scheduled Primary (Urban) Co-operative Banks – Deposit size of Rupees 50 crore and above
The Integrated Ombudsman Scheme sets clear eligibility criteria for different financial entities. For Non-Scheduled Primary (Urban) Co-operative Banks, coverage is mandatory if their deposit size is fifty crore rupees or higher. This ensures that customers of mid-sized and large cooperative banks have access to an independent grievance redressal mechanism, regardless of whether the bank is scheduled or non-scheduled.

41. (A) Only I, II, and III
The legal framework for the Integrated Ombudsman Scheme is built upon specific sections of three major Acts. Section 35A of the Banking Regulation Act, 1949, Section 45L of

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the Reserve Bank of India Act, 1934, and Section 18 of the Payment and Settlement Systems Act, 2007, provide the necessary statutory power for the Reserve Bank to establish and manage this mechanism.

42. (B) P-3, Q-4, R-1, S-2
The resolution of complaints follows specific procedural logic. Suggestions are closed at initial scrutiny, while a regulated entity's failure to respond allows the Ombudsman to issue an ex-parte award. Voluntary withdrawal by a complainant leads to the complaint being deemed resolved. Finally, if the complainant accepts an award within thirty days, it becomes effective and binding on the entity.

43. (A) Only I and II
Complainants have the right to appeal when their grievance is rejected under specific maintainability clauses. This appeal must be submitted to the Appellate Authority within thirty days of receiving the rejection notice. While the process is structured, there is no requirement for the complainant to seek approval or sanction from an advocate before filing such an appeal with the Reserve Bank.

44. (C) Both I and II
Initial scrutiny at the Centralized Receipt and Processing Centre ensures that only valid grievances reach the Ombudsman. Communications that offer general suggestions or seek guidance are filtered out and closed. Similarly, complaints that do not meet the maintainability criteria specified in the scheme are separated. In both cases, the center provides a suitable communication to the individual who submitted the request.

45. (D) All I, II, III, IV, and V
The resolution process emphasizes speed, informality, and mutual agreement. The Ombudsman uses facilitation and conciliation to reach settlements, which must be documented and signed if successful. Proceedings are summary and not bound by strict evidence rules. Regulated entities must reply within fifteen days, and the voluntary withdrawal of a complaint by a customer is recognized as a valid resolution.

46. (B) II, V, III, IV, I
The process of finalizing an award follows a logical sequence. First, the Ombudsman passes the reasoned award and copies are sent to both parties. The complainant then has thirty days to furnish a letter of acceptance. Once accepted, the regulated entity must comply with the award's directions and subsequently intimate the Ombudsman that the necessary compliance has been successfully completed.

47. (A) Only I, II, and III
Customers have multiple channels to file a complaint under the Integrated Ombudsman Scheme. They can lodge it online through the dedicated portal, submit it via electronic mail to the centralized centre, or send a physical, signed letter. While an authorized representative can assist, the scheme explicitly excludes advocates from serving as such representatives during these informal grievance redressal proceedings.

48. (B) Reserve Bank of India Act, 1934 – Clause 45L
The Reserve Bank of India Act, 1934, is one of the foundational statutes empowering the central bank to regulate non-banking financial companies. Section 45L of this Act specifically allows the Reserve Bank to give directions to these entities. This section served as one of the legal pillars used by the Reserve Bank to integrate various ombudsman schemes into the unified 2021 framework.

49. (B) Only I and III
When a regulated entity receives a complaint from the Ombudsman, it must prepare a comprehensive response. This written version must be filed within fifteen days and include all documents the entity relies upon for its defense. Although the initial timeline is strict, the Ombudsman does have the discretionary power to grant additional time if the entity provides a valid justification.

50. (C) Both I and II
The primary goal of the Ombudsman is to find an amicable resolution through collaborative methods like facilitation, conciliation, or mediation. If the parties reach a mutual agreement, the terms of this settlement are formally recorded. The Ombudsman then directs both the customer and the regulated entity to

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comply with these agreed-upon terms within a specified timeframe to ensure finality.

51. (B) Only I, II, IV, and V
An ex-parte award is issued when a regulated entity fails to participate in the proceedings by not filing its written version or documents. The Ombudsman makes a decision based on the available records. Notably, when an award is issued specifically due to the entity's non-response or failure to furnish information, the entity loses its right to appeal the decision.

52. (A) P-2, Q-1, R-4, S-3
Appeals against the Ombudsman's decisions must follow strict timelines. Complainants have thirty days from receiving the award or rejection to appeal. For regulated entities, the thirty-day window to appeal an award starts from the date they receive the complainant's acceptance letter. The Appellate Authority can extend the filing deadline by another thirty days if there is a sufficient cause shown.

53. (C) Regulated Entity's Appeal against Ex-parte Award – Filed within 30 days with prior sanction of the Chairman
While the scheme allows for appeals, certain restrictions apply. A regulated entity can appeal against an award only if it has the prior sanction of its top management, such as the Chairman or CEO. However, if an award is passed ex-parte specifically because the entity failed to provide information or respond, the right to appeal is entirely forfeited by the entity.

54. (D) All I, II, III, and IV
An award issued by the Ombudsman can include various directives and compensation components. It may require the entity to perform specific obligations and pay for direct consequential losses up to twenty lakh rupees. Additionally, up to one lakh rupees can be awarded for mental harassment. The total compensation amount specified in the award is inclusive of the original disputed sum involved.

55. (B) Only I and III
After the initial vetting at the Centralized Receipt and Processing Centre, valid complaints are assigned to the relevant Ombudsman offices. The process then moves forward by notifying the regulated entity. A copy of the complaint is sent to the entity with a formal direction to submit a written version of the facts and all supporting documentation to facilitate a fair examination.

56. (A) P-2, Q-4, R-3, S-1
The scheme excludes specific types of disputes from the Ombudsman's jurisdiction. These include commercial judgments, outsourcing contract disputes with vendors, and employer-employee relationship issues. Furthermore, services that do not fall under the regulatory purview of the Reserve Bank are also outside the scope. These exclusions ensure the Ombudsman focuses on genuine service deficiencies between regulated entities and their customers.

57. (D) All I, II, III, IV, and V
Clause 10(1) of the Integrated Ombudsman Scheme lists several scenarios where a complaint is not maintainable. These exclusions cover commercial decisions, vendor disputes, and general grievances against management. Additionally, disputes between two regulated entities or matters involving services outside the Reserve Bank's regulatory authority are excluded. These categories help define the precise limits of the Ombudsman's power in resolving disputes.

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58. (A) Deficiency in service – A shortcoming required to be provided statutorily, strictly resulting in financial loss
The Integrated Ombudsman Scheme provides precise definitions for its key terms. While the Appellate Authority is a high-ranking Reserve Bank official and settlements are reached through conciliation, the definition of deficiency in service is intentionally broad. It covers any inadequacy in service, regardless of whether it results in a financial loss, ensuring that customers can seek redress for poor service.

59. (A) Only I, II, and III
The scope of the Integrated Ombudsman Scheme regarding Non-Banking Financial Companies is clearly defined. Certain entities like Core Investment Companies and Infrastructure Debt Fund-NBFCs are excluded. Furthermore, companies currently undergoing resolution, liquidation, or winding up do not fall under the scheme's purview. However, system providers authorized under the Payment and Settlement

Systems Act are covered as a separate category of entities.

60. (B) Only II
Compliance with an award is conditional upon the customer's formal acceptance. An award will lapse and have no legal effect if the complainant does not submit a letter of acceptance within thirty days of receiving it. Once this acceptance is received by the regulated entity, the entity then has a thirty-day window to comply with the directions and intimate the Ombudsman.

61. (C) Dismiss the complaint as it relates to a dispute regarding an outsourcing contract between a vendor and a Regulated Entity.
The Integrated Ombudsman Scheme is primarily designed to address grievances of individual customers against financial service providers. Disputes arising from commercial contracts, such as an outsourcing agreement between a vendor and a bank, are specifically excluded from the Ombudsman's jurisdiction. Therefore, a payment dispute between an IT services provider and a bank would be dismissed as non-maintainable.

62. (A) Yes, because RBI directives mandate that CICs shall be treated as a 'Regulated Entity' for the Scheme.
Although the original 2021 scheme focused on banks and NBFCs, subsequent regulatory updates have expanded its scope. The Reserve Bank has directed that Credit Information Companies (CICs) also be brought under the purview of the Integrated Ombudsman Scheme. Consequently, grievances related to credit report errors can now be entertained, providing customers with an efficient alternative to resolve disputes with these entities.

63. (D) Assertion (A) is false, but Reason (R) is true.
While the scheme does provide an appellate mechanism, it is not available in all circumstances. Specifically, if a regulated entity fails to provide requested documents or information, leading to an award, the entity is barred from appealing that decision. Therefore, the assertion that an entity can appeal an award issued due to such a failure is incorrect according to the scheme's rules.

64. (A) Rupees 20 lakh
The Integrated Ombudsman Scheme sets a maximum cap on the compensation that can be awarded for consequential financial losses. Regardless of the actual loss suffered by the complainant, the Ombudsman's authority is limited to directing a maximum payment of twenty lakh rupees. This limit applies to the total loss arising directly from the service deficiency identified during the resolution of the complaint.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The integration of the three pre-existing ombudsman schemes into a single unified framework was a strategic move by the Reserve Bank. This consolidation was driven by the need to simplify the grievance redressal process for the public. By creating a more responsive and streamlined mechanism, the central bank aimed to enhance consumer protection and efficiency in resolving financial disputes.

66. (B) It requires the previous sanction of the Chairman, Managing Director, or Chief Executive Officer of the NBFC.
For an appeal filed by a regulated entity to be valid, it must meet specific internal approval requirements. The scheme mandates that any appeal against an Ombudsman's award must be backed by the previous sanction of the entity's top leadership. This means the Chairman, Managing Director, or Chief Executive Officer must formally approve the decision to contest the award.

67. (D) January 31, 2023
When a regulated entity fails to reply to a complaint, the timeline for approaching the Ombudsman is based on a specific formula. The customer must wait thirty days for the entity's response. If no reply is received, the customer has exactly one year from the end of that thirty-day period to file a complaint. In this scenario, the deadline is January 31, 2023.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Reserve Bank of India has the authority to suspend the Integrated Ombudsman Scheme as a regulatory tool. This power allows for

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flexibility in managing the scheme's operations across different entities or timeframes. Because the central bank can extend these suspension periods as needed, it ensures that the dispute resolution mechanism can adapt to exceptional circumstances while maintaining oversight.

69. (D) The complaint would be deemed to be resolved as the complainant has withdrawn the complaint voluntarily.
If a complainant is satisfied with the corrective actions taken by a regulated entity during the proceedings, they may choose to end the matter. By explicitly stating their wish to drop the grievance, the complainant is performing a voluntary withdrawal. According to the Integrated Ombudsman Scheme, such a withdrawal results in the complaint being officially classified as resolved and subsequently closed.

70. (C) Rupees 1 lakh
In addition to compensation for direct financial losses, the Ombudsman can award a separate amount for non-monetary grievances. This includes compensation for travel expenses, loss of time, and the mental harassment or anguish suffered by the complainant. However, the scheme restricts this additional compensation to a maximum of one lakh rupees, providing a specific cap for these types of claims.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Integrated Ombudsman Scheme is designed to handle genuine service deficiencies effectively. To ensure that the Ombudsman's resources are used efficiently, the scheme allows for the rejection of complaints that are abusive, frivolous, or vexatious. By filtering out non-meritorious claims, the mechanism can focus on resolving legitimate grievances and providing timely redressal to customers who have suffered losses.

72. (D) January 31, 2023
The deadline for filing a complaint with the Ombudsman depends on when the initial grievance was raised with the regulated entity. If the entity does not respond within thirty days, the customer then has one year to escalate the matter. For a complaint filed with an NBFC on January 1, 2022, the one-year window starts after January 31, 2022, ending on January 31, 2023.

73. (B) It is non-maintainable because it is made more than one year after receiving the reply from the Regulated Entity.
The Integrated Ombudsman Scheme enforces a strict limitation period for filing complaints. A grievance must be brought to the Ombudsman within one year of the complainant receiving a reply from the regulated entity. Since the customer's dispute dates back to 2018 and was rejected in the same year, the 2021 filing is well beyond the allowable timeframe and is non-maintainable.

74. (D) The date the RE receives the letter of acceptance of Award from the complainant (March 1).
For a regulated entity, the clock for filing an appeal starts at a specific procedural milestone. While the Ombudsman issues the award earlier, the entity's right to appeal is triggered only after the complainant accepts the award. Therefore, the thirty-day period for the entity to prefer an appeal begins from the date it receives the complainant's formal letter of acceptance.

75. (A) It should be forwarded to the Centralized Receipt and Processing Centre for scrutiny and initial processing.
The Integrated Ombudsman Scheme is designed to be inclusive and accessible to all customers, including those in remote areas. Physical complaints, whether handwritten or typed, are still valid. If such a complaint is sent to any Reserve Bank office, it must be forwarded to the Centralized Receipt and Processing Centre. There, it will undergo necessary scrutiny and initial processing.

76. (D) The Ombudsman may infer that the bank has no information to furnish and proceed to pass an ex-parte Order or Award.
Regulated entities are expected to cooperate fully with the Ombudsman by providing requested documents and filing responses within fifteen days. If an entity ignores these requirements without seeking an extension, the Ombudsman can draw a negative inference. In such cases, the Ombudsman is empowered to proceed based on available records and issue an ex-parte order or award.

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legal formalities. Consequently, proceedings before the Ombudsman are summary in nature. They do not follow the rigid rules of evidence prescribed in the Indian Evidence Act, allowing the Ombudsman to settle grievances based on principles of equity, justice, and fair play.

9. (B) The complaint alleges a clear deficiency in service by the Regulated Entity resulting in financial loss to the customer.
A complaint is maintainable before the Ombudsman when it highlights a shortcoming or inadequacy in financial services. For the grievance to be considered, there must be a clear allegation of deficiency in service on the part of the regulated entity. This includes instances where such service gaps lead to financial losses or other forms of disadvantage for the aggrieved customer.

10. (C) Offices at places specified by the Reserve Bank, where the Ombudsman may hold sittings as necessary to expedite disposal
The operational structure of the Ombudsman allows for geographical flexibility to ensure accessible justice for customers. While the Reserve Bank establishes specific offices, the Ombudsman is empowered to hold sittings at various locations as required. This flexibility is intended to expedite the disposal of complaints and bring the grievance redressal mechanism closer to the parties involved in the dispute.

11. (D) It is any shortcoming or inadequacy in a financial service that the entity is required to provide, whether or not it causes financial loss.
Deficiency in service is broadly defined within the Integrated Ombudsman Scheme to ensure comprehensive consumer protection. It encompasses any inadequacy or shortcoming in the financial services provided by a regulated entity. Importantly, the definition does not mandate the occurrence of a quantifiable financial loss; the mere failure to provide service as per the required standards constitutes a valid deficiency.

12. (C) November 12, 2021
The Reserve Bank - Integrated Ombudsman Scheme, 2021, represents a significant consolidation of previous grievance redressal frameworks into a single unified system. This integrated scheme was officially launched and became effective on November 12, 2021. Its primary objective is to simplify the process for customers to lodge complaints against various regulated entities across the banking, non-banking, and digital payment sectors.

13. (A) A complaint is maintainable even if it involves a commercial judgment or commercial decision of a Regulated Entity.
Certain matters are explicitly excluded from the Ombudsman's jurisdiction to protect the operational autonomy of regulated entities. Complaints involving the commercial judgment or business decisions of an entity, such as interest rate pricing or credit appraisal, are not maintainable. The scheme focuses on service deficiencies rather than questioning the internal commercial logic or management policies adopted by financial institutions.

14. (C) Banking Regulation Act, 1949; Reserve Bank of India Act, 1934; Payment and Settlement Systems Act, 2007
The Integrated Ombudsman Scheme derives its legal authority from several key pieces of legislation that empower the Reserve Bank of India. These include Section 35A of the Banking Regulation Act, 1949, Section 45L of the Reserve Bank of India Act, 1934, and Section 18 of the Payment and Settlement Systems Act, 2007. Together, these statutes provide the regulatory foundation.

15. (D) The principles of banking law and practice, directions, instructions, and guidelines issued by the Reserve Bank
When passing a reasoned award, the Ombudsman must look beyond the immediate facts and documents of the case. The decision-making process is guided by the established principles of banking law and standard practices. Furthermore, the Ombudsman is required to adhere to the various directions, instructions, and regulatory guidelines issued by the Reserve Bank of India to ensure consistency and legality.

16. (A) A person, other than an advocate, authorized in writing to represent the complainant in the proceedings
The scheme allows complainants to be represented by another person to facilitate the resolution of

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CHAPTER 16

The Micro, Small and Medium Enterprises Development Act, 2006

Oct/Nov 2014

1. Which of the following statements regarding the coverage and definitions of enterprises is incorrect?
(A) A micro enterprise has an investment limit of Rs. 1 crore.
(B) A micro enterprise has a turnover limit of Rs. 10 crore.
(C) A small enterprise has an investment limit of Rs. 10 crore.
(D) A medium enterprise has a turnover limit of Rs. 250 crore.

May/June 2018

2. Consider the following statements regarding the structure of the regulatory framework:
I. Chapter I deals with preliminary aspects like the definition of the Day of acceptance and Day of deemed acceptance.
II. Chapter III deals with the classification of enterprises and the Advisory Committee.
III. Chapter V focuses exclusively on the appointment of Officers and levy of penalties.
IV. Chapter VI deals with Miscellaneous Provisions including the jurisdiction of courts.
Which of the above statements is/are correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2010

3. Identify the correct statement(s) based on the information provided. Consider the following statements regarding the classification of enterprises:
I. Manufacturing enterprises are engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951.
II. Service enterprises are engaged exclusively in the trading of actionable claims and money.
Which of the above statements is/are correct?
(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

May/June 2025

4. Identify the correct statement regarding the establishment of the National Board for Micro, Small and Medium Enterprises (NBMSME) under Section 3:
(A) It is established by the State Governments through a mutual notification.
(B) Its head office shall be located in Mumbai.
(C) It is established by the Central Government by notification.
(D) It functions primarily to adjudicate delayed payment disputes.

Oct/Nov 2007

5. How is the term "Goods" defined in the regulatory framework?
(A) Every kind of movable property including actionable claims and money
(B) Every kind of movable property other than actionable claims and money
(C) Every kind of immovable property utilized in manufacturing
(D) Exclusive rights to industrial undertakings and business concerns

May/June 2005

6. The NBMSME associates with a technical expert for assistance in evaluating technology. What is the statutory standing of this associated expert regarding voting during a Board meeting?
(A) The expert has the right to take part in the discussions and the right to vote.

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(B) The expert has the right to take part in discussions but shall not have a vote.
(C) The expert has no right to take part in discussions but possesses a special veto.
(D) The expert may vote only if authorized by the Member Secretary through formal letter.

Oct/Nov 2016

7. On which date did the regulatory framework governing the promotion and development of micro, small, and medium enterprises (MSMED Act) become operational?
(A) 2nd October 2005
(B) 2nd October 2006
(C) 13th May 2020
(D) 1st June 2020

May/June 2021

8. Consider the following items that may be included in the definition of a "Supplier":
I. A micro or small enterprise which has filed a memorandum.
II. The National Small Industries Corporation.
III. The Small Industries Development Corporation of a State.
IV. A medium enterprise engaged in rendering services.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, and IV only

Oct/Nov 2022

9. Chapter IV of the regulatory framework envisages measures for the promotion and development of enterprises. Consider the following steps:
I. Provision of market facilities
II. Procurement preference policy
III. Setting aside decrees of the Facilitation Council
IV. Funds-grants by Central Government
Which of the above statements is/are correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2009

10. The "day of acceptance" encompasses all of the following conditions except:
(A) The day of the actual delivery of goods
(B) The day of the rendering of services
(C) The day a buyer objects thirty days after the actual delivery of goods
(D) The day on which an objection made in writing by the buyer is removed

Oct/Nov 2019

11. Consider the following designated functions of the NBMSME:
I. Examining factors affecting the promotion and development of MSMEs.
II. Reviewing the policies and programs of the Central Government.
III. Making recommendations on matters necessary for facilitating promotion and development.
IV. Advising the Central Government on the use of constituted Funds.
V. Adjudicating all delayed payment disputes exceeding Rs. 1 crore.
Which of the above statements is/are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, and V only

May/June 2012

12. Consider the following events regarding the evolution of MSME definitions and regulations:
I. The Gazette Notification deciding further revision of the MSME definition was issued by the Government of India.
II. The Micro, Small and Medium Enterprises Development Act became operational.
III. A revision in the MSME definition was announced in the Atma-nirbhar Bharat package.
Which of the following represents the correct chronological order?
(A) II, III, I
(B) III, II, I
(C) II, I, III
(D) I, II, III

Oct/Nov 2006

13. Which of the following best describes the subject matter of Section 8 of the regulatory framework?
(A) Procedures for persons intending to establish Micro, Small or Medium Enterprises (Memorandum)
(B) Preliminary aspects like the name, date of

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commencement, and regulatory definitions
(C) Setting up of the National Board for Micro, Small and Medium Enterprises
(D) Supportive measures to prevent delayed payments to micro and small service enterprises

May/June 2020

14. Match the entities in List I with their corresponding details in List II.
List I: (Entity)
P. National Bank
Q. Small Industries Bank
R. Buyer
S. Board
List II: (Statutory Detail)
1. Established under an Act of 1981
2. Established under Section 3 of the framework
3. Whoever receives any services from a supplier for consideration
4. Established under an Act of 1989
(A) P-2, Q-3, R-1, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-1, Q-4, R-3, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2023

15. Consider the following reasons for which acts or proceedings of the NBMSME shall not be invalid:
I. Any vacancy in the constitution of the Board
II. Any defect in the constitution of the Board
III. Any defect in the appointment of a person acting as a member
IV. Any irregularity in the procedure of the Board not affecting the merits of the case
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2023

16. What is the primary objective of the enacted legislation concerning micro, small, and medium enterprises?
(A) To facilitate enterprise promotion, development, and competitiveness
(B) To nationalize all micro, small, and medium manufacturing units in India
(C) To centralize the procurement processes of all major commercial banks
(D) To eliminate the distinction between manufacturing and service units entirely

Oct/Nov 2015

17. Consider the following statements about the chapters in the regulatory framework:
I. Chapter I contains definitions of terms like buyer, enterprise, and goods.
II. Chapter II details the setting up of the National Board for MSME.
III. Chapter IV deals with supportive measures to prevent delayed payments.
IV. Chapter V includes reference to the Micro and Small Entrepreneurs Facilitation Council.
V. Chapter VI outlines the power to make rules by the Central and State Governments.
Which of the above statements is/are correct?
(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2013

18. What does the term "Appointed day" explicitly mean under the definitions provided in the regulatory framework?
(A) The day immediately following fifteen days from acceptance or deemed acceptance
(B) The day on which an enterprise files its memorandum with the state-level authority
(C) The exact day on which the actual delivery of goods or rendering of services occurs
(D) The day when a buyer makes full payment for the goods or services to the supplier

Oct/Nov 2021

19. The composition of the National Board for Micro, Small and Medium Enterprises (NBMSME) includes all of the following except:
(A) Six Ministers of State Governments
(B) Five Members of Parliament
(C) Twenty persons representing micro, small and medium enterprises
(D) Ten persons of eminence from the fields of economics, industry and science & technology

May/June 2017

20. Identify the correct statement(s) based on the information provided. Consider the

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(D) Section 27

Oct/Nov 2011

35. Consider the following sequence of events concerning delayed payment dispute resolution:

I. Reference made to the Facilitation Council under Section 18.

II. Actual delivery of goods or rendering of services occurs.

III. Expiry of forty-five days from the day of acceptance without payment.

IV. Decision rendered by the Council within a period of ninety days.

Which of the following represents the correct chronological order?

(A) I, II, III, IV

(B) II, III, I, IV

(C) II, I, III, IV

(D) III, II, I, IV

May/June 2007

36. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): The Micro and Small Enterprises Facilitation Council has jurisdiction to act as an Arbitrator in a dispute between a supplier located within its jurisdiction and a buyer located anywhere in India.

Reason (R): The framework expressly mandates that every reference made under Section 18 must be decided within a period of ninety days from the date of making such a reference.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

37. Identify the correct statement(s) based on the information provided. Consider the following statements regarding the Funds mentioned in the framework:

I. There shall be constituted one or more Funds by notification under section 12.

II. Grants made by the Central Government under section 13 shall be credited to these Funds.

Which of the above statements is/are correct?

(A) I only

(B) II only

(C) Both I and II

(D) Neither I nor II

May/June 2006

38. A supplier delivers goods on 1st October, and they are accepted the same day. The written contract stipulates a credit period of 60 days. The buyer makes no payment. From which day does the liability to pay compound interest legally commence?

(A) 16th October

(B) 16th November

(C) 1st December

(D) The day immediately following the 45th day from 1st October

Oct/Nov 2009

39. Who among the following members must act as the Chairperson of the Micro and Small Enterprise Facilitation Council?

(A) A representative of an association of micro industry in the State

(B) A person having special knowledge in the legal and commercial field

(C) A representative of a financial institution lending to small enterprises

(D) The Director of Industries or an officer having administrative control

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May/June 2022

40. The Advisory Committee advises the Government and the Board in connection with the classification of enterprises. Which of the following is an explicitly mandated consideration?

(A) The proximity of the enterprise to the relevant raw material sources

(B) The gender distribution among the enterprise's entire registered workforce

(C) The historical profitability of the enterprise over the preceding five years

(D) The level of employment, investments, and need for technology upgradation

Oct/Nov 2025

41. How does Section 19 define the precondition for any court to entertain an application for setting

(B) Medium Enterprise
(C) Large Enterprise
(D) Small Enterprise

Oct/Nov 2017

27. An individual serves as an ex-officio member on the National Board for Micro, Small and Medium Enterprises. Under the framework, how long does the term of office for this ex-officio member continue?
(A) So long as he holds the office by virtue of which he is such a member
(B) For a fixed period of three years from the date of appointment
(C) Until the Advisory Committee recommends his removal
(D) Until the completion of one financial year

May/June 2010

28. Which of the following best describes the "day of deemed acceptance"?
(A) The day of delivery or rendering of services, where no written objection is made within fifteen days
(B) The day the supplier acknowledges the receipt of payment from the buyer for the delivered goods
(C) The day the buyer consumes the goods or utilizes the services provided by the micro enterprise
(D) The day the Facilitation Council formally issues a decree resolving a payment dispute between parties

Oct/Nov 2013

29. A buyer defaults on the payment for raw materials supplied by a micro enterprise. The supplier wishes to understand the statutory provisions outlining the buyer's liability to make payment and the applicable interest rates. Which chapter of the regulatory framework addresses this issue directly?
(A) Chapter II
(B) Chapter III
(C) Chapter V
(D) Chapter IV

May/June 2024

30. In which year was the National Bank for Agriculture and Rural Development Act, which establishes the "National Bank", enacted?
(A) 1951
(B) 1956
(C) 1989
(D) 1981

Oct/Nov 2008

31. The Advisory Committee provides advice on the promotion, development, and enhancement of competitiveness of MSMEs including all of the following issues except:
(A) Procurement of Preference Policy
(B) Constitution and Administration of Funds
(C) Imposition of penalties for delayed payment by buyers
(D) Issues concerning Credit Facilities

May/June 2019

32. Match the Sections of the framework in List I with their corresponding subject matters in List II.
List I: (Section)
P. Section 15
Q. Section 16
R. Section 19
S. Section 20
List II: (Subject Matter)
1. Establishment of Facilitation Council
2. Date from which and rate at which interest is payable
3. Setting aside decree, award or order
4. Liability of buyer to make payment
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-2, R-3, S-1
(C) P-2, Q-3, R-1, S-4
(D) P-1, Q-4, R-2, S-3

Oct/Nov 2018

33. Under whose chairmanship is the Advisory Committee for MSME constituted?
(A) Minister of Finance
(B) Secretary, Ministry of Micro, Small and Medium Enterprises
(C) Chairman of the National Bank
(D) Director of Industries of the respective State

May/June 2016

34. Which section of the framework permits parties to refer a matter involving an unpaid amount due to a Micro or Small Enterprise to the Facilitation Council?
(A) Section 16
(B) Section 18
(C) Section 21

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Oct/Nov 2015

61. If a buyer fails to pay the compound interest accrued due to delay, how must they treat this outstanding amount in the succeeding year's financial disclosures?
(A) The buyer is no longer required to report it once the principal is paid.
(B) The buyer must report it as a miscellaneous operational expense for that year.
(C) The buyer must disclose further interest due in succeeding years, until paid.
(D) The buyer is required to deduct this amount from the supplier's future invoices.

May/June 2013

62. No act or proceedings of the National Board for Micro, Small and Medium Enterprises shall be invalid merely by reason of any of the following, except:
(A) The complete absence of representation from the Central Government
(B) Any vacancy in the constitution of the National Board of MSME
(C) Any defect in the constitution of the National Board of MSME
(D) Any defect in the appointment of a person acting as a member

Oct/Nov 2017

63. Identify the correct statement(s) based on the information provided. Consider the following statements regarding the disclosure requirements for buyers:
I. Any buyer who is required to get his annual accounts audited under any law must furnish additional information in his annual financial statements.
II. The required additional information pertains solely to the geographic locations of all SME suppliers engaged during the year.
Which of the above statements is/are correct?
(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

May/June 2017

64. Match the types of enterprises in List I with their corresponding revised maximum turnover limits in List II.
List I: (Type of Enterprise)
P. Micro Enterprise
Q. Small Enterprise
R. Medium Enterprise
S. Large Enterprise
List II: (Revised Turnover Limit)
1. Rs. 250 crore
2. Rs. 5 crore
3. Rs. 50 crore
4. Not applicable or defined in these limits
(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2005

65. For an arbitral award of Rs. 4,00,000, what is the exact amount a buyer is required to deposit with the court for an application to set it aside to be entertained?
(A) Rs. 1,00,000
(B) Rs. 2,00,000
(C) Rs. 3,00,000
(D) Rs. 4,00,000

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May/June 2008

66. Which of the following is an incorrect statement regarding the definitions related to the acceptance of goods and services?
(A) The appointed day is the day following immediately after the expiry of fifteen days from the day of acceptance or deemed acceptance.
(B) If an objection is made in writing within fifteen days, the day of acceptance is the day the objection is raised by the buyer.
(C) The day of actual delivery of goods qualifies as the day of acceptance.
(D) The day of deemed acceptance occurs when no objection is made in writing by the buyer within fifteen days of delivery.

Oct/Nov 2024

67. Identify the incorrect pair regarding the penalties for contravention as stipulated in Section 27:
(A) First conviction under Section 27(1) — Fine which may extend to rupees one thousand
(B) Second or subsequent conviction under Section 27(1) — Fine not less than rupees one thousand but may extend to rupees ten thousand
(C) Failure to participate in conciliation

aside a decree or award made by the Facilitation Council?
(A) The appellant must submit a written apology to the supplier before approaching the court.
(B) The appellant (not supplier) must deposit seventy-five per cent of the award amount.
(C) The appellant must obtain prior approval from the State Government's legal department.
(D) The appellant must prove that the initial conciliation process was severely flawed.

May/June 2015

42. According to the regulatory framework, who occupies the role of Member Secretary for the Advisory Committee?
(A) A representative from a Small Enterprise association with ten years of experience
(B) The Director of Industries of the respective State or an equivalent ranking officer
(C) The Member Secretary of the National Board of Micro, Small & Medium Enterprises
(D) An officer not below the rank of a Joint Secretary appointed by the Central Government

Oct/Nov 2023

43. A buyer has defaulted on a payment to a small enterprise. The bank rate notified by the Reserve Bank of India at the relevant time is 5%. What is the precise rate of interest the buyer is statutorily liable to pay on the delayed amount?
(A) 5% simple interest
(B) 10% compound interest with annual rests
(C) 15% compound interest with monthly rests
(D) 15% simple interest on the total amount

May/June 2014

44. A medium enterprise engaged purely in the manufacture of industrial goods intends to commence operations. What is the statutory obligation for this specific entity regarding the memorandum?
(A) It may file the memorandum at its own discretion with an authority specified by the State Government.
(B) It is entirely exempt from filing any memorandum under the current framework.
(C) It shall file the memorandum directly with the National Board for Micro, Small and Medium Enterprises.
(D) It shall file the memorandum with an authority specified by the Central Government.

Oct/Nov 2021

45. If the conciliation initiated by the Facilitation Council is not successful, what action is the Council statutorily required to take next?
(A) Transfer the case directly to the High Court of the respective State for final decree
(B) Instruct the supplier to write off the unpaid amount as a bad debt in their accounts
(C) Arbitrate the dispute itself or refer it to an ADR institution for arbitration
(D) Levy a fixed penalty of rupees ten thousand on the buyer immediately for non-compliance

May/June 2005

46. Which specific section of the framework details the situations or circumstances under which a member of the NBMSME may be removed from the Board?
(A) Section 3
(B) Section 4
(C) Section 7
(D) Section 12

Oct/Nov 2006

47. Which authority possesses the power to prescribe the manner of filling vacancies in the Facilitation Council and the procedure for discharging their functions?
(A) The Central Government
(B) The State Government
(C) The Advisory Committee
(D) The National Board for Micro, Small and Medium Enterprises

May/June 2018

48. Identify the correct statement pair mapping the entity receiving advice from the Advisory Committee to the subject of that advice:
(A) Central Government — Composition of Micro, Small Enterprises Facilitation Councils under section 30
(B) State Governments — Rule notification for provisions including Facilitation Council composition
(C) NBMSME — Geographic location of the Facilitation Councils across the industrial sectors

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(D) Reserve Bank of India — Procurement of Preference Policy for certain service enterprises

Oct/Nov 2016

49. By which authority is the Micro and Small Enterprise Facilitation Council required to be established under Section 20?
(A) The State Governments
(B) The Reserve Bank of India
(C) The Central Government
(D) The National Small Industries Corporation

May/June 2025

50. How is the liability of a buyer to make payment defined under the provisions of Section 15?
(A) The buyer shall pay within ninety days from delivery irrespective of any existing agreement.
(B) The buyer shall make payment strictly based on the current prevailing market credit standards.
(C) The buyer shall pay by the agreed date, or before the appointed day if no agreement exists.
(D) The buyer shall make payment exclusively through digital channels before the day of acceptance.

Oct/Nov 2007

51. What is the statutory deadline by which the Facilitation Council must decide on a reference?
(A) Within thirty days from the date of reference
(B) Within forty-five days from the date of reference
(C) Within ninety days from the date of reference
(D) Within one hundred and eighty days from the date of reference

May/June 2020

52. Consider the following statements regarding the functions of the Advisory Committee:
I. To examine matters referred by the NBMSME concerning the promotion and development of the MSME sector.
II. To provide advice to the Central Government on issues covered under Sections 9 to 12 and Section 14.
III. To independently establish Micro and Small Enterprises Facilitation Councils across various States.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2022

53. Within what specific timeframe must a memorandum be filed from the commencement of the framework for a previously registered small scale industry?
(A) Thirty days
(B) Sixty days
(C) Ninety days
(D) One hundred and eighty days

May/June 2009

54. The members of the Facilitation Council are appointed from amongst specific categories. Consider the following categories:
I. Director of Industries or equivalent officer
II. Office-bearers of associations of micro or small industry
III. Representatives of banks and financial institutions
IV. Persons having special knowledge in industry, finance, law, trade, or commerce
V. Representatives from Central Trade Unions
Which of the above statements is/are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, IV, and V only

Oct/Nov 2019

55. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): A buyer who fails to make payment to a supplier as per Section 15 is liable to pay compound interest with monthly rests.
Reason (R): This liability applies notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation

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of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2012

56. Match the composition elements of the Advisory Committee in List I with their corresponding details in List II.
List I: (Composition Element)
P. Officers of the Central Government
Q. Representatives of State Governments
R. Representative from Micro Enterprise association
S. Secretary, Ministry of MSME
List II: (Details)
1. Five members
2. One member
3. Chairman
4. Three members
(A) P-1, Q-4, R-2, S-3
(B) P-2, Q-3, R-1, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2014

57. Consider the following statements regarding the reference of a dispute to the Facilitation Council:
I. On receipt of a reference, the Council shall either itself conduct conciliation or seek assistance from an institution providing alternate dispute resolution services.
II. The provisions of sections 65 to 81 of the Arbitration and Conciliation Act, 1996 apply to such disputes as if conciliation was initiated under Part III of that Act.
III. The conciliation process completely bypasses the Arbitration and Conciliation Act, 1996.
IV. If conciliation fails, the dispute is permanently dismissed without further legal recourse.
Which of the above statements is/are correct?
(A) I and II only
(B) III and IV only
(C) I, II, and III only
(D) II, III, and IV only

May/June 2021

58. Consider the following statements regarding the filing of a memorandum of enterprise under Section 8:
I. A micro or small enterprise may file the memorandum at its discretion.
II. A medium enterprise engaged in providing or rendering of services may file the memorandum at its discretion.
III. A medium enterprise engaged in the manufacture or production of goods is mandated to file the memorandum.
IV. The authority for a medium enterprise to file the memorandum is specified by the State Government.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2010

59. Identify the correct statement(s) based on the information provided. Consider the following statements regarding the composition of the Micro and Small Enterprise Facilitation Council under Section 21:
I. The Council shall consist of not less than three members.
II. The Council shall consist of not more than five members.
III. The Council exclusively comprises representatives from nationalized banks.
Which of the above statements is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

May/June 2023

60. Identify the incorrect statement regarding the procedures and authorities for filing the memorandum under Section 8:
(A) The form of the memorandum and procedure of filing shall be notified by the Central Government.
(B) The State Government specifies the authority with which a medium enterprise engaged in manufacturing shall file the memorandum.
(C) The Central Government notifies the procedure after obtaining the recommendations of the Advisory Committee.
(D) The State Government specifies the authority with which a micro or small enterprise may file the memorandum.

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following statements regarding the definition of "Supplier":

I. A supplier includes the National Small Industries Corporation registered under the Companies Act, 1956.

II. A supplier includes any company or co-operative society engaged in selling goods produced by micro or small enterprises.

Which of the above statements is/are correct?

(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2005

21. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): The National Board for Micro, Small and Medium Enterprises shall meet at least once in every three months in a year.

Reason (R): A person associated with the Board for assistance or advice has the right to vote on all financial matters discussed during the meetings.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2008

22. Which of the following represents the correct investment and turnover limits for a medium enterprise?

(A) Investment of Rs. 1 crore and Turnover of Rs. 5 crore
(B) Investment of Rs. 10 crore and Turnover of Rs. 50 crore
(C) Investment of Rs. 50 crore and Turnover of Rs. 250 crore
(D) Investment of Rs. 100 crore and Turnover of Rs. 500 crore

Oct/Nov 2024

23. Identify the correct pair matching the term to its statutory reference:

(A) Enterprise — Companies Act, 1956
(B) Goods — Arbitration and Conciliation Act, 1996
(C) Goods — Small Industries Development Bank of India Act, 1989
(D) Enterprise — Industries (Development and Regulation) Act, 1951

May/June 2014

24. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): Advisory Committees are constituted to render advice on the level of employment, level of investment, and nature of investment.

Reason (R): Chapter III of the regulation mandates the clear distinction between manufacturing and service enterprises and deals with their classification.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2012

25. Identify the incorrect pair regarding the entities and the statutes under which they are registered or established:

(A) National Small Industries Corporation — Companies Act, 1956
(B) National Bank — Industries (Development and Regulation) Act, 1951
(C) Small Industries Development Corporation — Companies Act, 1956
(D) Small Industries Bank — Small Industries Development Bank of India Act, 1989

May/June 2011

26. An enterprise is engaged in manufacturing with a documented investment in plant and machinery of Rs. 8 crore and an annual turnover of Rs. 45 crore. Based on the revised criteria notified on 01.06.2020, how is this enterprise classified?

(A) Micro Enterprise

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proceedings — Mandatory imprisonment of six months

(D) Contravention of provisions of section 22 by a buyer — Fine which shall not be less than rupees ten thousand

May/June 2011

68. Consider the following mandatory disclosures in the annual financial statements of a buyer:

I. Principal amount remaining unpaid at year end.

II. Interest paid along with payment made beyond the appointed day.

III. Interest due and payable for the period of delay without adding interest specified under the framework.

IV. Interest accrued and remaining unpaid at the end of each accounting year.

V. Further interest remaining due and payable in succeeding years.

Which of the above statements is/are correct?

(A) I, II, III, and IV only

(B) II, III, IV, and V only

(C) I, III, IV, and V only

(D) I, II, III, IV, and V

Oct/Nov 2020

69. Consider the following statements regarding the MSMED framework:

I. The statute provides definitions for micro, small, and medium enterprises based on both investment and turnover.

II. The NBMSME functions to examine factors affecting the promotion of MSMEs.

III. A buyer must adhere to an agreed payment date not exceeding 45 days from the date of acceptance.

IV. Interest on delayed payments is compounded with monthly rests at three times the bank rate notified by the Reserve Bank.

V. A buyer must disclose unpaid principal and interest to MSMEs in audited annual financial statements.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only

(B) II, III, IV, and V only

(C) I, III, IV, and V only

(D) I, II, III, IV, and V

May/June 2010

70. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): Any buyer who is required to get his annual accounts audited must furnish additional information in his annual financial statements.

Reason (R): The additional information explicitly pertains to the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

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Oct/Nov 2013

71. When an appellant deposits the required percentage of the decree amount in court, what action may the court take regarding this deposited sum pending the disposal of the application?

(A) The court must transfer the entire amount back to the buyer's operational account.

(B) The court must remit the funds to the National Board for MSME.

(C) The court must invest the amount exclusively in government securities until a final verdict is reached.

(D) The court may order a certain amount, determined to be reasonable, to be paid to the supplier (SME).

May/June 2024

72. Consider the following statements regarding the penalties outlined in Section 27(1):

I. It applies to whoever intentionally contravenes or attempts to contravene the provisions contained in sub-section (1) of section 8.

II. It applies to whoever abets the contravention of sub-section (2) of section 26 regarding non-submission of requisite information.

III. It applies to a supplier who fails to deliver goods on the agreed date.

Which of the above statement(s) is/are correct?

(A) I and II only

ANSWERS

1. (B) A micro enterprise has a turnover limit of Rs. 10 crore.
The revised classification criteria for enterprises emphasize both investment and turnover thresholds. For a micro enterprise, the investment in plant and machinery or equipment must not exceed one crore rupees. Simultaneously, the annual turnover for such an enterprise is capped at five crore rupees, not ten crore rupees, for both sectors.

2. (B) I, II, and IV only
The statutory structure consists of six distinct chapters. Chapter I covers preliminary definitions like the day of acceptance. Chapter III addresses the classification of enterprises and the Advisory Committee. Chapter VI includes miscellaneous provisions such as the jurisdiction of courts. Chapter V focuses on delayed payments rather than exclusively on officer appointments and penalties.

3. (A) I only
Manufacturing enterprises are legally defined as units producing goods listed in the First Schedule of the Industries (Development and Regulation) Act, 1951. Conversely, service enterprises provide or render services. The definition of a service enterprise excludes entities that are engaged in trading or dealing in actionable claims and money, which are specifically excluded.

4. (C) It is established by the Central Government by notification.
Section 3 of the regulatory framework mandates the establishment of the National Board for Micro, Small and Medium Enterprises. This Board is officially constituted by the Central Government through a formal notification. It serves as a peak advisory body to facilitate the promotion, development, and enhancement of competitiveness of enterprises across the entire country.

5. (B) Every kind of movable property other than actionable claims and money
The regulatory definitions specify the scope of items covered under commercial transactions between suppliers and buyers. Goods are defined as every kind of movable property. However, this legal definition explicitly excludes actionable claims and money. This distinction ensures clarity in determining which types of industrial products fall under the protection of these regulations.

6. (B) The expert has the right to take part in discussions but shall not have a vote.
The National Board for Micro, Small and Medium Enterprises may associate technical experts to assist in its functions. While these associated persons are permitted to participate in the deliberations and discussions of the Board meetings, they do not possess the statutory right to cast a vote on any matters, ensuring only designated members decide.

7. (B) 2nd October 2006
The Micro, Small and Medium Enterprises Development (MSMED) Act was enacted in 2006 to provide a comprehensive legal framework for the sector. While the legislation received presidential assent earlier, it became fully operational and effective across India on 2nd October 2006, coinciding with the birth anniversary of Mahatma Gandhi to empower small businesses.

8. (A) I, II, and III only
Under the regulatory framework, a supplier is defined to include micro or small enterprises that have filed a memorandum. It also encompasses the National Small Industries Corporation and the Small Industries Development Corporation of a State. Medium enterprises are excluded from this specific definition, particularly for the provisions relating to the resolution of delayed payments.

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provisions related to non-submission of requisite information?

(A) A fine of exactly rupees five hundred
(B) A fine from one thousand to ten thousand rupees
(C) A fine which may extend to rupees one thousand
(D) A fine which shall not be less than ten thousand

May/June 2006

80. Match the Chapters of the framework in List I with their corresponding subject matter in List II.

List I: (Chapter)

P. Chapter II
Q. Chapter V
R. Chapter III
S. Chapter VI

List II: (Subject Matter)

1. Supportive measures to prevent delayed payments
2. Miscellaneous Provisions like appointment of Officers and penalties
3. Setting up of National Board for Micro, Small & Medium Enterprises
4. Classification of enterprises and Advisory Committee

(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-2, R-3, S-1

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(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2008

73. What is the most appropriate summary of a buyer's liability concerning payments to a micro or small enterprise supplier?
(A) The buyer pays within 90 days, or simple interest at bank rate is applied.
(B) The buyer pays by agreed date (max 45 days), else 3x bank rate interest.
(C) The buyer discloses unpaid amounts without any mandatory interest payments.
(D) The buyer pays a flat penalty of ten thousand for delay over fifteen days.

May/June 2019

74. Identify the correct statement regarding the threshold limits defining a Medium Enterprise under the current active definition:
(A) The enterprise must have an investment not exceeding Rs. 10 crore and turnover not exceeding Rs. 50 crore.
(B) The enterprise must have an investment up to Rs. 20 crore and turnover up to Rs. 100 crore exclusively.
(C) The enterprise must have an investment exceeding Rs. 50 crore regardless of its turnover.
(D) The enterprise must have an investment not exceeding Rs. 50 crore and turnover not exceeding Rs. 250 crore.

Oct/Nov 2018

75. The disclosures required in the annual financial statements of a buyer encompass several specific financial figures regarding delayed payments. Which of the following is an exception?
(A) The proprietary manufacturing formulas utilized by the supplier
(B) The principal amount remaining unpaid to any supplier
(C) The interest accrued and remaining unpaid at the end of the accounting year
(D) The amount of further interest remaining due and payable in succeeding years

May/June 2016

76. What core conceptual element must be present for a person to be punishable under Section 27(1)?
(A) The contravention must result in financial loss exceeding one crore rupees.
(B) The contravention must involve a medium manufacturing enterprise exclusively.
(C) The contravention must be reported directly by a nationalized bank in India.
(D) The contravention must be intentional, an attempt, or involve abetment.

Oct/Nov 2011

77. Consider the following statements regarding the dispute resolution mechanism under the framework:
I. A dispute over delayed payments may be referred to the Micro and Small Enterprise Facilitation Council.
II. The Council conducts conciliation before proceeding to arbitration.
III. The provisions of the Arbitration and Conciliation Act, 1996 apply to both the conciliation and the subsequent arbitration processes.
IV. The Council has jurisdiction over a buyer located anywhere in India as long as the supplier is within its jurisdiction.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2007

78. Which of the following is an incorrect statement regarding the additional information a buyer must disclose in annual financial statements?
(A) The principal amount remaining unpaid to any supplier as at the end of each accounting year.
(B) The total number of employees working in the supplier's manufacturing unit.
(C) The interest due thereon remaining unpaid to any supplier as at the end of each accounting year.
(D) The amount of interest paid by the buyer in terms of section 16, along with the payment made to the supplier beyond the appointed day.

Oct/Nov 2009

79. What is the legally permissible penalty for a second conviction for intentionally contravening

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9. (B) I, II, and IV only
Chapter IV outlines measures to promote and develop enterprises. These include providing market facilities, establishing procurement preference policies, and managing funds or grants from the Central Government. Setting aside decrees is a legal procedure under Chapter V regarding delayed payments and is not part of the promotional measures described in the Chapter IV provisions.

10. (C) The day a buyer objects thirty days after the actual delivery of goods
The day of acceptance refers to the actual delivery date or rendering of services. If a buyer makes a written objection within fifteen days, the day of acceptance is when the objection is removed. An objection raised thirty days after delivery is invalid for this specific definition, and the actual delivery day stands.

11. (A) I, II, III, and IV only
The National Board for Micro, Small and Medium Enterprises is tasked with examining development factors, reviewing government policies, and making recommendations for promotion. It also advises on the utilization of constituted funds. However, the Board does not have the authority to adjudicate payment disputes, which is the specific legal function of Facilitation Councils.

12. (A) II, III, I
The regulatory timeline began with the Micro, Small and Medium Enterprises Development Act becoming operational in 2006. Later, a significant revision in enterprise definitions was announced as part of the Atma-nirbhar Bharat package in May 2020. This was followed by the formal Gazette Notification in June 2020 to implement these changes across India.

13. (A) Procedures for persons intending to establish Micro, Small or Medium Enterprises (Memorandum)
Section 8 provides the legal procedure for filing a memorandum by an enterprise. Micro and small enterprises have the discretion to file this memorandum, whereas medium manufacturing enterprises are mandated to do so. This process is essential for official registration and obtaining various benefits under the promotional schemes defined within the entire regulatory framework.

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14. (C) P-1, Q-4, R-3, S-2
Statutory entities are linked to specific legislative acts. The National Bank refers to NABARD, established in 1981. The Small Industries Bank refers to SIDBI, established in 1989. A buyer is an entity receiving services from a supplier for consideration. The Board refers to the National Board for MSME established under Section 3 of the framework.

15. (D) I, II, III, and IV
The legislation ensures administrative continuity by protecting the actions of the National Board for MSME. Proceedings are not considered invalid due to vacancies, defects in the constitution, or issues with member appointments. Additionally, procedural irregularities that do not affect the case's merits cannot be used to challenge the validity of the Board's decisions.

16. (A) To facilitate enterprise promotion, development, and competitiveness
The primary objective of the MSMED Act is to provide a comprehensive legal framework for the promotion and development of micro, small, and medium enterprises. It aims to enhance their competitiveness by addressing issues like delayed payments, providing credit facilities, and establishing a structured classification system for both manufacturing and service-oriented industrial units in India.

17. (B) I, II, IV, and V only
The regulatory framework is divided into thematic chapters. Chapter I defines key terms like buyer and goods. Chapter II establishes the National Board for MSME. Chapter IV details promotional measures, while Chapter V covers delayed payments and Facilitation Councils. Finally, Chapter VI provides miscellaneous provisions, including the delegated power to make various administrative rules.

18. (A) The day immediately following fifteen days from acceptance or deemed acceptance
The term appointed day is crucial for calculating interest on delayed payments. It is defined as the day immediately following the expiry of fifteen days from the day of acceptance or the day of

the geographical jurisdiction granted to the Council over buyers.

37. (C) Both I and II
The Central Government is empowered by Section 12 to notify the constitution of one or more funds for the development of enterprises. Section 13 further specifies that grants made by the Central Government shall be credited to these funds. These financial resources are then utilized to support various promotional and developmental schemes aimed at enhancing sector competitiveness.

38. (D) The day immediately following the 45th day from 1st October
Even if a contract specifies a credit period longer than forty-five days, the statutory limit under Section 15 prevails. The buyer must pay within forty-five days of acceptance. If they fail, interest liability begins on the day immediately following this forty-five-day period. For goods delivered on 1st October, this occurs after forty-five days have actually elapsed.

39. (D) The Director of Industries or an officer having administrative control
The Micro and Small Enterprise Facilitation Council is established by the State Government to resolve payment disputes. The law mandates that the Chairperson of this Council must be the Director of Industries or an officer of equivalent rank who has administrative control over the small scale industries in that particular State or Union Territory jurisdiction.

40. (D) The level of employment, investments, and need for technology upgradation
When advising on the classification of enterprises, the Advisory Committee must consider several economic and operational factors. These include the level of employment generated, the amount and nature of investment in plant and machinery, and the necessity for technology upgradation. These factors ensure that classification remains relevant to the current industrial landscape and promotional needs.

41. (B) The appellant (not supplier) must deposit seventy-five per cent of the award amount.
Section 19 imposes a strict condition to prevent frivolous appeals against awards made by the Facilitation Council. No court can entertain an application to set aside such a decree or order unless the appellant, who is typically the buyer, deposits seventy-five per cent of the awarded amount with the court. This ensures financial security for the supplier.

42. (C) The Member Secretary of the National Board of Micro, Small & Medium Enterprises
The Advisory Committee serves to coordinate policy advice between the Central Government and the National Board. To ensure administrative alignment, the framework specifies that the person serving as the Member Secretary of the National Board for Micro, Small and Medium Enterprises shall also act as the Member Secretary for the Advisory Committee in an ex-officio capacity.

43. (C) 15% compound interest with monthly rests
Under Section 16, a buyer who defaults on payment is liable to pay interest at three times the bank rate notified by the Reserve Bank of India. If the bank rate is five per cent, the applicable interest rate is fifteen per cent. Furthermore, this interest must be compounded with monthly rests, ensuring significant financial protection for the small supplier.

44. (D) It shall file the memorandum with an authority specified by the Central Government.
Filing a memorandum is mandatory for medium enterprises engaged in the manufacture or production of goods. Unlike micro or small enterprises, which may file at their discretion, these medium manufacturing units must file the memorandum with an authority that is specifically designated by the Central Government for this purpose, rather than a local State Government authority.

45. (C) Arbitrate the dispute itself or refer it to an ADR institution for arbitration
The dispute resolution process begins with mandatory conciliation. If the Facilitation Council fails to resolve the matter through conciliation, it is statutorily required to move to the next stage. The Council must either conduct the arbitration itself or refer the dispute to an institution providing alternative dispute resolution services to reach a final and binding legal award.

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capacity. Their tenure on the Board continues for as long as they hold that specific primary office which granted them membership.

28. (A) The day of delivery or rendering of services, where no written objection is made within fifteen days
Deemed acceptance occurs when a buyer receives goods or services but fails to raise any written objection regarding them within fifteen days. In such instances, the day of actual delivery or rendering of the services is legally treated as the day of acceptance for the purpose of calculating payment deadlines and subsequent interest liabilities for the buyer.

29. (C) Chapter V
Chapter V of the regulatory framework specifically addresses supportive measures to prevent delayed payments. It outlines the buyer's liability to pay the supplier within the stipulated timeframe. Furthermore, it defines the consequences of default, including the requirement to pay compound interest at three times the bank rate, and the specific process for dispute resolution.

30. (D) 1981
The term National Bank within the MSME regulatory context refers specifically to the National Bank for Agriculture and Rural Development. This institution was established under the National Bank for Agriculture and Rural Development Act, which was enacted by the Parliament in 1981. It plays a critical role in refinancing and developing rural enterprises and the agricultural sector.

31. (C) Imposition of penalties for delayed payment by buyers
The Advisory Committee provides guidance on policy-level issues, such as procurement preference, credit facilities, and the administration of promotional funds. However, the committee does not have the legal authority to impose penalties on buyers for delayed payments. Penalties and interest liabilities are strictly governed by the statutory provisions found in Chapter V and Section 27.

32. (B) P-4, Q-2, R-3, S-1
The framework assigns specific functions to different sections. Section 15 establishes the buyer's liability to make payments. Section 16 defines the date and rate for interest on delayed payments. Section 19 deals with setting aside decrees or awards. Finally, Section 20 mandates the establishment of the Micro and Small Enterprise Facilitation Council by individual State Governments.

33. (B) Secretary, Ministry of Micro, Small and Medium Enterprises
The Advisory Committee is a specialized body constituted to advise the Central Government and the National Board on MSME development. The committee is chaired by the Secretary of the Ministry of Micro, Small and Medium Enterprises. It includes representatives from various government departments and state governments to ensure a coordinated approach to national industrial policy.

34. (B) Section 18
Section 18 provides the legal mechanism for resolving disputes related to unpaid amounts due to micro or small enterprises. It allows any party to refer the dispute to the Micro and Small Enterprise Facilitation Council. The Council then initiates conciliation or arbitration to settle the matter, ensuring that small suppliers have an accessible legal recourse for recovery.

35. (B) II, III, I, IV
The legal process begins with the delivery of goods or services. If payment is not made within forty-five days, the buyer defaults. The supplier then makes a reference to the Facilitation Council under Section 18. Finally, the Council is mandated to render a decision or award within ninety days from the date the specific reference was made.

36. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
The Facilitation Council has jurisdiction over any buyer in India if the supplier is located within its territorial limits. Additionally, the law mandates that all references must be decided within ninety days. While both statements are legally accurate, the time limit for deciding cases does not explain

NODIA

55. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A buyer who fails to pay a supplier within the statutory deadline becomes liable for compound interest with monthly rests. This liability is mandatory and overriding. It applies regardless of any conflicting terms in a private agreement or other existing laws. This ensures that the protection granted to small enterprises cannot be bypassed by contractual clauses or other legal loopholes.

56. (A) P-1, Q-4, R-2, S-3
The Advisory Committee is structured with diverse representation to ensure effective policy-making. It is chaired by the Secretary of the Ministry of MSME. The committee includes five officers from the Central Government and three representatives from State Governments. Additionally, it must include one member who represents an association of micro enterprises to ensure the specific sector's voice is heard.

57. (A) I and II only
Upon receiving a dispute reference, the Facilitation Council first initiates conciliation. This can be done by the Council itself or through an ADR institution. The legal procedures for this stage are governed by the Arbitration and Conciliation Act, 1996. If conciliation fails, the Council proceeds to arbitration, ensuring the dispute remains within the legal framework until a final resolution.

58. (A) I, II, and III only
Filing a memorandum is optional for micro, small, and medium service enterprises. However, medium manufacturing enterprises are legally mandated to file it. The authority for filing by a medium manufacturing unit is specified by the Central Government, not the State Government. These rules ensure that different classes of enterprises are registered with the appropriate administrative bodies based on size.

59. (A) I and II only
The Facilitation Council is a quasi-judicial body whose size is restricted to ensure efficiency. According to Section 21, the Council must consist of at least three members but no more than five. While representatives from banks and financial institutions can be members, the Council is not exclusively composed of them and must include industry associations and government officers too.

60. (B) The State Government specifies the authority with which a medium enterprise engaged in manufacturing shall file the memorandum.
The procedures for filing the memorandum are governed by both Central and State authorities. The Central Government notifies the form and filing procedure. While State Governments designate the authority for micro and small enterprises, they do not do so for medium manufacturing enterprises. Instead, the Central Government specifies the authority with which medium manufacturing units must file their memorandum.

61. (C) The buyer must disclose further interest due in succeeding years, until paid.
Transparency in financial reporting is a key feature of the framework. If a buyer fails to pay the interest accrued on delayed payments, this liability does not disappear. The buyer is statutorily required to disclose the amount of further interest remaining due and payable in their annual financial statements for all succeeding years until the entire amount is finally settled.

62. (A) The complete absence of representation from the Central Government
The legislation protects the Board's decisions from being overturned due to technical administrative flaws. Acts are valid despite vacancies, defects in the constitution, or errors in member appointments. However, the complete absence of Central Government representation is not a protected defect. The Board must be properly constituted by the Central Government to exercise its powers and perform statutory functions.

63. (A) I only
Any buyer required to have their annual accounts audited under any law must provide specific additional information in their financial statements. This requirement ensures accountability regarding transactions with SME suppliers. This information is not about geographic locations; instead, it must detail the

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46. (B) Section 4
Section 4 of the regulatory framework outlines the conditions under which a member of the National Board for MSME may be removed. Reasons for removal include insolvency, being of unsound mind, or abusing their official position. This section ensures that the Board maintains high standards of integrity and that members who are unfit to serve are replaced.

47. (B) The State Government
While the primary legislation is central, the actual administration of the Facilitation Councils is delegated. Section 30 empowers the State Government to make rules regarding the procedure to be followed by the Council. This includes the manner of filling vacancies among members and the specific administrative processes for discharging their statutory functions in resolving various delayed payment disputes.

48. (B) State Governments — Rule notification for provisions including Facilitation Council composition
The Advisory Committee provides recommendations to both the Central and State Governments. Specifically, State Governments receive advice regarding the notification of rules under Section 30. These rules cover critical aspects such as the composition of the Facilitation Council, the filling of vacancies, and the procedural guidelines for the Council to function effectively within that particular state jurisdiction.

49. (A) The State Governments
To provide localized support for micro and small enterprises, Section 20 mandates the establishment of one or more Facilitation Councils. The responsibility for setting up these councils lies with each State Government. By notifying the creation of these councils, the State ensures that local suppliers have a dedicated legal forum to address grievances related to delayed payments effectively.

50. (C) The buyer shall pay by the agreed date, or before the appointed day if no agreement exists.
Section 15 defines the buyer's obligation to ensure timely payment to suppliers. If there is a written agreement, the buyer must pay by the agreed date, which cannot exceed forty-five days. In the absence of an agreement, the buyer is legally required to make the payment before the appointed day, which is the day immediately following the expiry of fifteen days from the day of acceptance.

51. (C) Within ninety days from the date of reference
The regulatory framework emphasizes the swift resolution of payment disputes to maintain the liquidity of small businesses. Section 18 stipulates that every reference made to the Micro and Small Enterprise Facilitation Council must be decided within a strict timeframe. Specifically, the Council is required to conclude the proceedings and issue an award within ninety days of receiving the reference.

52. (A) I and II only
The Advisory Committee performs specific advisory functions, including examining matters referred by the National Board. It also advises the Central Government on promotional measures, procurement policies, and the administration of funds. However, the committee does not have the authority to establish Facilitation Councils, as this power is exclusively reserved for individual State Governments through notification under the framework.

53. (D) One hundred and eighty days
When the MSMED Act was implemented, it replaced earlier registration systems for small-scale industries. For enterprises that were already registered under the previous system, the new framework allowed a transition period. These enterprises were required to file a fresh memorandum within one hundred and eighty days from the date the new regulatory framework became operational on 2nd October 2006.

54. (A) I, II, III, and IV only
The composition of the Facilitation Council is designed to provide balanced expertise. It includes the Director of Industries, office-bearers of micro or small industry associations, and representatives from banks or financial institutions. Additionally, persons with specialized knowledge in finance, law, or commerce may be appointed. However, representatives from Central Trade Unions are not listed among the statutory member categories.

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deemed acceptance. This fifteen-day window allows the buyer to inspect goods and raise any written objections to the supplier before liability begins.

19. (D) Ten persons of eminence from the fields of economics, industry and science & technology
The National Board for Micro, Small and Medium Enterprises has a diverse composition. It includes ministers from six State Governments, three Members of Parliament, and not more than twenty representatives from the associations of micro, small and medium enterprises. While the Act provides for not more than ten persons of eminence in economics, industry, and science and technology, their inclusion depends on Central Government appointments.

20. (C) Both I and II
The definition of a supplier is broad enough to include various entities. It specifically covers the National Small Industries Corporation registered under the Companies Act. Furthermore, any company or co-operative society that is engaged in the sale of goods produced by micro or small enterprises is also legally classified as a supplier under this developmental framework.

21. (C) Assertion (A) is true, but Reason (R) is false.
The National Board for MSME is legally required to meet at least once every six months. This ensures regular oversight and policy review. However, while technical experts or advisors may be associated with the Board and participate in discussions, the law explicitly denies them the right to vote on any matters discussed during these meetings.

22. (C) Investment of Rs. 50 crore and Turnover of Rs. 250 crore
Following the 2020 revision, classification for a medium enterprise is based on composite criteria. An enterprise qualifies as medium if its investment in plant and machinery does not exceed fifty crore rupees. Additionally, its annual turnover must not exceed two hundred and fifty crore rupees. These limits apply equally to both the manufacturing and service sectors.

23. (D) Enterprise — Industries (Development and Regulation) Act, 1951
The regulatory framework defines an enterprise by referencing other relevant statutes. Specifically, an enterprise engaged in manufacturing refers to industrial undertakings as specified in the First Schedule to the Industries (Development and Regulation) Act, 1951. Other definitions like goods or banks are linked to the Sale of Goods Act or the specific Bank Acts respectively.

24. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Advisory Committees are constituted to provide guidance on economic factors like employment and investment levels. Separately, Chapter III establishes the classification of enterprises into micro, small, and medium categories. While both statements are factually correct under the framework, the classification mandate in Chapter III does not explain why the Advisory Committee is specifically formed.

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25. (B) National Bank — Industries (Development and Regulation) Act, 1951
The regulatory framework correctly identifies the governing statutes for various entities. The National Small Industries Corporation and State Development Corporations are under the Companies Act. The Small Industries Bank is under the SIDBI Act. However, the National Bank is established under the NABARD Act of 1981, not the Industries (Development and Regulation) Act of 1951.

26. (D) Small Enterprise
Under the current composite criteria, classification depends on both investment and turnover. A small enterprise is defined as one where the investment in plant and machinery does not exceed ten crore rupees and the turnover is not more than fifty crore rupees. With eight crore investment and forty-five crore turnover, this enterprise fits the small category.

27. (A) So long as he holds the office by virtue of which he is such a member
Members of the National Board for MSME can be appointed by name or by office. An ex-officio member is a person who holds a position on the Board due to their official designation in another

principal amount and the interest due thereon that remain unpaid to any supplier at the end of the year.

64. (A) P-2, Q-3, R-1, S-4
Revised turnover limits define enterprise categories. Micro enterprises have a limit of five crore rupees. Small enterprises are capped at fifty crore rupees. Medium enterprises can have a turnover up to two hundred and fifty crore rupees. Large enterprises are not defined under these specific MSME limits. These composite criteria help in classifying units regardless of their industrial sector.

65. (C) Rs. 3,00,000
Section 19 requires a buyer to deposit seventy-five per cent of the award amount before a court can consider an application to set it aside. For an award of four lakh rupees, seventy-five per cent equals three lakh rupees. This mandatory deposit serves to protect the supplier's financial interests while the buyer's challenge to the Council's award is being reviewed.

66. (B) If an objection is made in writing within fifteen days, the day of acceptance is the day the objection is raised by the buyer.
The day of acceptance is determined by delivery or the resolution of objections. If a buyer raises a written objection within fifteen days of delivery, the day of acceptance is legally defined as the day the supplier removes the objection. It is not the day the buyer initially raises the objection. This ensures the delivery is satisfactory before payment begins.

67. (C) Failure to participate in conciliation proceedings — Mandatory imprisonment of six months
Section 27 specifies penalties for various contraventions, such as failing to file a memorandum or submit required information. Fines for initial and subsequent convictions are clearly defined. However, the framework does not prescribe mandatory imprisonment for failing to participate in conciliation proceedings. Instead, the Council proceeds to arbitration if conciliation fails, rather than imposing criminal penalties like jail for non-participation.

68. (D) I, II, III, IV, and V
Audited buyers must disclose detailed financial information regarding SME suppliers. This includes the unpaid principal at year-end and interest paid on late payments. They must also report interest due for the delay period, interest accrued but unpaid, and further interest remaining due in future years. These exhaustive disclosures ensure full transparency and highlight any non-compliance with the statutory payment terms.

69. (D) I, II, III, IV, and V
The MSMED Act provides a robust framework including composite classification based on investment and turnover. It establishes the NBMSME for policy oversight and mandates a forty-five-day payment limit for buyers. Defaulting buyers face interest at three times the bank rate with monthly compounding. Furthermore, they must disclose unpaid amounts in their audited accounts, creating a comprehensive protection system for enterprises.

70. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Buyers subject to mandatory audits must furnish additional details in their annual financial statements. This requirement specifically targets unpaid dues to small enterprises. The additional information identifies the principal amount and the interest due that remain outstanding at the end of each accounting year. This disclosure ensures that the company's liabilities toward MSME suppliers are visible to stakeholders.

71. (D) The court may order a certain amount, determined to be reasonable, to be paid to the supplier (SME).
When an appellant deposits seventy-five per cent of an award in court under Section 19, the funds are held pending disposal. The court has the discretion to order that a reasonable portion of this deposited sum be paid to the supplier before the final verdict. This provision helps the micro or small enterprise maintain cash flow during lengthy legal proceedings.

72. (A) I and II only
Section 27(1) imposes penalties for specific administrative failures. It applies to persons

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May/June 2025

5. Which of the following pairs concerning definitions under the SARFAESI Act is INCORRECTLY matched?

(A) Bank - Includes multi-State-co-operative banks and Regional Rural Banks

(B) Appellate Tribunal - A tribunal constituted by the State Government for expedited recovery

(C) Borrower - A person who has given any guarantee for the financial assistance granted by any bank

(D) Security Receipt - A receipt issued by an Asset Reconstruction Company to any qualified buyer evidencing an undivided interest

Oct/Nov 2009

6. Read the following statements regarding the notice under Section 13(2) of the SARFAESI Act and select the correct option:

I. The notice asks the borrower to discharge full liabilities within sixty days.

II. The Act prescribes a strict, mandatory format for this notice.

III. Contravention of the legal consequences mentioned in the notice by the borrower is punishable.

IV. The requirement of classification as NPA is dispensed with in the case of secured debt raised through debt securities.

Which combination of statements is correct?

(A) Statements I, II, and III

(B) Statements I, III, and IV

(C) Statements II, III, and IV

(D) Statements I, II, and IV

May/June 2005

7. From which date did the SARFAESI Act, 2002 come into force?

(A) 21 July, 2002

(B) 21 June, 2002

(C) 1 April, 2002

(D) 31 March, 2002

Oct/Nov 2017

8. The Reserve Bank of India may cancel the registration granted to an Asset Reconstruction Company without giving any opportunity to the company on all of the following grounds, EXCEPT:

(A) The company ceases to carry on the business of securitization or reconstruction.

(B) The company makes adequate arrangements for realization of the financial assets acquired.

(C) The company ceases to receive or hold any investment from a qualified institutional buyer.

(D) The company fails to comply with RBI directions.

May/June 2020

9. Read the following scenario and answer the question:

In the context of the measures of asset reconstruction and the ruling in Swadeshi Cotton Mills vs Union of India, what is the implication for the secured creditor?

(A) The secured creditor can initiate action without giving any notice since the SARFAESI Act is silent on grounds of acquisition.

(B) Borrowers must be given a hearing at a pre-decisional stage before any action is taken.

(C) The secured creditor must secure an overriding injunction from the Civil Court before issuing a notice.

(D) The provisions of the SARFAESI Act have an overriding effect on all existing contractual loan agreements.

Oct/Nov 2014

10. What does the term "Secured Asset" strictly refer to under the SARFAESI Act?

(A) Any asset owned by the borrower, regardless of whether a charge is created on it.

(B) Only the immoveable property of the borrower that is free from encumbrances.

(C) The property on which a security interest is created.

(D) Any tangible asset acquired by an Asset Reconstruction Company.

May/June 2007

11. If a borrower fails to pay in full within 60 days of the notice under the SARFAESI Act, which of the following measures is the secured creditor legally entitled to take to recover the secured debt?

(A) Take over the personal unencumbered assets of the borrower's directors through force.

(B) File a legal petition for the immediate liquidation of the borrower's company under the Act.

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CHAPTER 17

Securitisation and Reconstruction of Financial Assets

May/June 2014

1. Match the items in List I with the descriptions in List II.

List I: (Term)

P. Qualified Buyer
Q. Hypothecation
R. Default
S. Obligor

List II: (Description)

1. Non-payment of any debt rendering the account a non-performing asset.
2. A person liable to pay to the originator or discharge any obligation in respect of a financial asset.
3. A financial institution, insurance company, or asset management company granted specific registration.
4. A charge in or upon any moveable property existing or future created by a borrower.

(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2022

2. Why does the SARFAESI Act specifically debar individual investors from investing in Asset Reconstruction Companies by buying security receipts?

(A) Individual investors are explicitly prohibited from holding undivided interests under the specific provisions of the Indian Trusts Act.
(B) The Reserve Bank of India does not currently possess the regulatory bandwidth to monitor millions of individual retail accounts.
(C) The market is complex and requires specialized risk expertise that individual investors generally do not possess.
(D) The scheme of offering security receipts is solely governed by the Securities and Exchange Board of India, which limits retail participation.

May/June 2010

3. Read the following scenario and answer the question:

Mr. X's property is subject to a possession action by a lender. Under the original Section 17(2) of the SARFAESI Act, he was required to deposit seventy-five percent of the claimed amount before appealing to the Debt Recovery Tribunal (DRT). He challenges this condition based on a Supreme Court ruling.

Which constitutional article was held to be violated by the seventy-five percent pre-deposit condition in the case of Mardia Chemicals vs Union of India?

(A) Article 19
(B) Article 21
(C) Article 14
(D) Article 32

Oct/Nov 2011

4. Read the following statements regarding the resolution of disputes under the SARFAESI Act and select the correct option:

I. Any dispute relating to securitization between the bank and the Asset Reconstruction Company is required to be settled by conciliation or arbitration.
II. The mandatory arbitration and conciliation provisions under the Act are also strictly applicable to disputes by or against the borrower.

Which combination is correct?

(A) Only Statement I is correct
(B) Only Statement II is correct
(C) Both Statements I and II are correct
(D) Neither Statement I nor Statement II is correct

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who intentionally contravene or abet the contravention of provisions related to filing the mandatory memorandum under Section 8. It also covers the failure to submit required information under Section 26. However, it does not apply to a supplier's failure to deliver goods on time, which is a contractual matter.

73. (B) The buyer pays by agreed date (max 45 days), else 3x bank rate interest.
The statutory payment terms require the buyer to pay by the date agreed in writing, provided this period does not exceed forty-five days. If no agreement exists, payment is due before the appointed day. Failure to comply makes the buyer liable for interest at three times the bank rate, compounded monthly. This creates a strong financial incentive for prompt payment.

74. (D) The enterprise must have an investment not exceeding Rs. 50 crore and turnover not exceeding Rs. 250 crore.
Under the revised classification effective since 2020, a medium enterprise is defined by two upper limits. The investment in plant and machinery or equipment must not exceed fifty crore rupees. Additionally, the annual turnover must not exceed two hundred and fifty crore rupees. Both conditions must be met, and the same thresholds apply to enterprises in manufacturing and service sectors.

75. (A) The proprietary manufacturing formulas utilized by the supplier
Buyers must include several financial details in their annual statements concerning delayed payments to SME suppliers. These include unpaid principal amounts, accrued interest at year-end, and interest carried forward to succeeding years. However, proprietary information such as manufacturing formulas is confidential intellectual property and is not required to be disclosed in the buyer's financial statements under any statutory provision.

76. (D) The contravention must be intentional, an attempt, or involve abetment.
For a person to be held punishable under Section 27(1), the prosecution must establish specific mental or participatory elements. The contravention of filing requirements or information submission must be done intentionally. Alternatively, an attempt to contravene or the abetment of such an act also invites penalties. This ensures that only deliberate non-compliance or active assistance in non-compliance is penalized.

77. (D) I, II, III, and IV
The dispute resolution system is comprehensive. Suppliers can refer delayed payment issues to the Facilitation Council, which conducts conciliation followed by arbitration if needed. These processes follow the Arbitration and Conciliation Act, 1996. The Council's jurisdiction is based on the supplier's location, allowing it to issue awards against buyers situated anywhere in India, ensuring effective legal recourse.

78. (B) The total number of employees working in the supplier's manufacturing unit.
Annual financial disclosures for audited buyers focus strictly on financial liabilities toward SME suppliers. Buyers must report unpaid principal and interest due at the end of the accounting year. They must also detail interest paid for delays and interest accrued. However, the number of employees working for the supplier is not a mandatory disclosure, as it is unrelated to payment defaults.

79. (B) A fine from one thousand to ten thousand rupees
Section 27(1) provides a tiered penalty structure for contravening provisions related to filing a memorandum or providing information. For a first conviction, the fine can extend up to one thousand rupees. For a second or subsequent conviction, the law prescribes a higher penalty, which shall not be less than one thousand rupees but may extend up to ten thousand rupees.

80. (A) P-3, Q-1, R-4, S-2
The framework's chapters are logically organized to cover all aspects of MSME governance. Chapter II deals with the National Board for MSME. Chapter V focuses on supportive measures to prevent delayed payments. Chapter III handles the classification of enterprises and the Advisory Committee. Chapter VI contains miscellaneous provisions, including the appointment of officers and the imposition of penalties for legal contraventions.

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(C) Issue new equity shares of the borrower company to the general public to recover the full debt.
(D) Require any person who has acquired the secured asset from the borrower to pay the creditor.

Oct/Nov 2023

12. How is "Asset Reconstruction" defined under the SARFAESI Act?
(A) The physical restoration of impaired tangible capital assets conducted by the originating financial institution.
(B) The specialized process of converting non-liquidated financial assets into marketable and liquid securities.
(C) Acquisition by an ARC of rights or interests in financial assistance for the purpose of realization.
(D) The restructuring of the board of directors and the management team of a defaulting borrower company.

May/June 2019

13. Which of the following statements is CORRECT regarding the notice given to an obligor upon the acquisition of a financial asset by an Asset Reconstruction Company (ARC)?
(A) If notice is not given, the bank holds received money in trust for the ARC.
(B) Giving notice of the acquisition to the obligor is strictly compulsory and mandatory under the SARFAESI Act.
(C) The obligor can legally refuse to make payments to the ARC even if the notice of acquisition is given.
(D) Modification of charge with the Registrar of Companies is required in all cases regardless of the notice.

Oct/Nov 2018

14. What does a "Scheme" formulated by an Asset Reconstruction Company primarily facilitate?
(A) The restructuring of the originating bank's non-performing assets portfolio over a long-term period.
(B) The legal liquidation process of a borrowing company under the provisions of the Companies Act.
(C) The raising of funds from qualified buyers by inviting subscription to security receipts.
(D) The complete waiver of stamp duty for the borrower during the physical transfer of the asset.

May/June 2016

15. Read the following Assertion (A) and Reason (R) and select the correct answer using the options provided:
Assertion (A): Under the SARFAESI Act, a secured creditor can enforce the security interest created in his favor without the intervention of the Court or Tribunal.
Reason (R): The power given to the secured creditor by the SARFAESI Act has an overriding effect over the provisions related to mortgage in the Transfer of Property Act, 1882.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2005

16. Read the following statements regarding the applicability of the SARFAESI Act and select the correct option:
I. The Act is applicable to cases where the security interest for securing repayment of any financial asset is more than Rs. 1 Lakh.
II. The Act is applicable where the amount due is 10% or more of the principal amount and interest thereon.
Which combination is correct?
(A) Only Statement I is correct
(B) Only Statement II is correct
(C) Both Statements I and II are correct
(D) Neither Statement I nor Statement II is correct

May/June 2022

17. Which of the following is a CORRECT statement regarding the other functions of an Asset Reconstruction Company under the SARFAESI Act?
(A) An asset reconstruction company may act as a receiver if appointed by any court or tribunal.
(B) An asset reconstruction company can act as a manager even if it gives rise to pecuniary liability.

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(C) A newly registered asset reconstruction company can commence any business other than securitization without prior approval of the Reserve Bank.
(D) The term "Asset Reconstruction Company" in the context of legal functions explicitly includes its subsidiaries.

Oct/Nov 2013

18. Read the following statements regarding the definition of a "Financial asset" under the SARFAESI Act and select the correct option:
I. It includes a claim to any debt or receivables or part thereof whether secured or unsecured.
II. It includes any right or interest in the security, whether full or part, securing debt.
III. It excludes any beneficial right, title or interest in any tangible asset given on hire or financial lease.
IV. It includes any financial assistance.
Which combination of statements is correct?
(A) Statements I, II, and III
(B) Statements I, II, and IV
(C) Statements II, III, and IV
(D) Statements I, III, and IV

May/June 2011

19. Read the following Assertion (A) and Reason (R) and select the correct answer using the options provided:
Assertion (A): A security receipt issued by an Asset Reconstruction Company generally does not require registration under the Registration Act, 1908.
Reason (R): The SARFAESI Act mandates that security receipts must be registered with the local Sub-Registrar to ensure their legal marketability.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2015

20. Read the following statements regarding the registration of an Asset Reconstruction Company (ARC) and select the correct option:
I. The ARC must obtain a certificate of registration from the Reserve Bank of India.
II. The ARC must have owned funds at the time of registration of not less than Rupees two crore or such higher amount specified by the RBI.
III. An ARC can make a substantial change in its management without the prior approval of the Reserve Bank of India.
Which combination of statements is correct?
(A) Statements I and II
(B) Statements II and III
(C) Statements I and III
(D) Statements I, II, and III

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May/June 2023

21. Read the following scenario and answer the question:
After receiving a notice under Section 13(2), Borrower Q submits a written representation objecting to the claim. The secured creditor evaluates the objection, finds it untenable, and communicates the reasons for non-acceptance to Borrower Q 30 days after receiving the representation.
Has the secured creditor complied with the statutory timeline for responding to the borrower's representation under the SARFAESI Act?
(A) Yes, the secured creditor has 30 days to communicate the reasons for non-acceptance.
(B) Yes, the Act does not specify any rigid timeline for communicating reasons for rejection.
(C) No, the secured creditor must communicate the reasons for non-acceptance within 15 days of receipt.
(D) No, the secured creditor is not required to communicate rejection but must directly file a suit in the Civil Court.

Oct/Nov 2020

22. Which of the following pairs of terms and their corresponding meanings under the SARFAESI Act is correctly matched?
(A) Board - The Central Board of Direct Taxes
(B) Originator - The owner of a financial asset that is acquired by an Asset Reconstruction Company
(C) Central Registry - The registering office set up by the Reserve Bank of India

(D) Sponsor - An entity holding not less than five per cent of the paid-up equity capital of an Asset Reconstruction Company

May/June 2008

23. What does the process of securitization under the SARFAESI Act fundamentally achieve for the Indian financial market?
(A) It permanently prevents the transfer of claims that are secured by any security.
(B) It liquidates the borrower's assets through immediate public auction without any security receipts.
(C) It restructures the management of the bank issuing the financial assistance.
(D) It converts non-liquidated financial assets into marketable securities that can be sold to investors.

Oct/Nov 2007

24. Which of the following statements regarding the powers of asset reconstruction is INCORRECT?
(A) The provisions for taking forcible possession are applicable only to secured assets and not to other assets.
(B) The exercise of powers is subject to existing laws and there is no provision for the statute to override loan agreements.
(C) The contractual power arising out of the loan agreements to takeover the management must be exercised under the provisions of the SARFAESI Act.
(D) Provisions apply directly to enforce the pledge and sell shares where controlling interest is pledged.

May/June 2015

25. Read the following statements regarding the acquisition of financial assets by an Asset Reconstruction Company (ARC) and select the correct option:
I. It can acquire the asset by issuing a debenture or bond to the bank for the agreed consideration.
II. Any document executed for acquiring financial assets for securitization is exempted from stamp duty.
III. Stamp duty exemption applies even if the acquisition is for purposes other than asset reconstruction or securitization.
IV. If a suit relating to the financial asset is pending against the bank on the date of acquisition, it shall not abate and may be continued by or against the ARC.
Which combination of statements is correct?
(A) Statements I, II, and III
(B) Statements I, II, and IV
(C) Statements II, III, and IV
(D) Statements I, III, and IV

Oct/Nov 2012

26. What does the preamble of the SARFAESI Act primarily define as its purpose?
(A) To regulate the winding up of defaulting companies and the distribution of liquidation proceeds to all creditors.
(B) To establish the Insolvency and Bankruptcy Board of India and oversee its internal administrative functions.
(C) To regulate the functioning of non-banking financial companies specifically in rural and semi-urban areas.
(D) To regulate securitization, reconstruction of financial assets, and the enforcement of security interest.

May/June 2024

27. Read the following statements regarding the powers available with the Reserve Bank of India (RBI) under the SARFAESI Act and select the correct option:
I. The RBI may determine policy and give directions in matters relating to income recognition and capital adequacy.
II. The RBI can direct an ARC to furnish statements and information relating to its business.
III. The RBI is empowered to carry out audit and inspection of an ARC.
IV. The RBI can remove the Chairman of an ARC without providing an opportunity of being heard.
V. The RBI can appoint any of its officers as an observer to observe the working of the ARC's board of directors.
Which combination is correct?
(A) Statements I, II, III, and IV
(B) Statements I, II, III, and V
(C) Statements II, III, IV, and V
(D) Statements I, III, IV, and V

NODIA

the Central Registrar about this satisfaction.
Within what time frame must the ARC give intimation to the Central Registrar of the payment or satisfaction under the SARFAESI Act?
(A) Within fifteen days from the date of payment.
(B) Within thirty days from the date of payment.
(C) Within forty-five days from the date of payment.
(D) Within sixty days from the date of payment.

Oct/Nov 2010

40. When the offer of sale of a property is accepted under the SARFAESI Act and the secured creditor confirms the sale, what percentage of the offer price must the purchaser deposit on the same day or latest by the next working day?
(A) Ten per cent
(B) Fifteen per cent
(C) Twenty-five per cent
(D) Fifty per cent

May/June 2017

41. Match the exemption category in List I with the corresponding related legislation in List II.
List I: (Exemption Category)
P. A lien on any goods
Q. Creation of security interest in any vessel
R. Rights of an unpaid seller
S. A pledge of moveable goods
List II: (Legislation)
1. Section 47 of the Sale of Goods Act, 1930
2. Indian Contract Act, 1872
3. Section 172 of the Indian Contract Act, 1872
4. Merchant Shipping Act, 1958
(A) P-3, Q-1, R-4, S-2
(B) P-2, Q-4, R-1, S-3
(C) P-4, Q-2, R-3, S-1
(D) P-1, Q-3, R-2, S-4

Oct/Nov 2024

42. Under the Rules framed under the SARFAESI Act, the powers of enforcing securities by taking physical possession should be exercised by an authorized officer. What is the prescribed equivalent level for this officer?
(A) Equivalent to a Branch Manager of any co-operative bank.
(B) Equivalent to a General Manager of the Reserve Bank of India.
(C) Equivalent to a Chief Manager of a public sector bank.
(D) Equivalent to a Junior Clerk of a financial institution.

May/June 2025

43. Read the following Assertion (A) and Reason (R) and select the correct answer using the options provided:
Assertion (A): The borrower is entitled to payment of compensation and costs if the Debt Recovery Tribunal (DRT) holds that the possession of the secured asset by the creditor was not in accordance with the provisions of the SARFAESI Act.
Reason (R): The SARFAESI Act sets a strict pecuniary limit of Rs. 10 Lakh for filing an application before the DRT claiming such compensation.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2014

44. Read the following statements regarding an application filed under Section 17 of the SARFAESI Act to the Debt Recovery Tribunal (DRT) and select the correct option:
I. Only the borrower is permitted to file an application against the measures taken by the secured creditor.
II. The application must be filed within forty-five days from the date on which such measures are taken.
Which combination is correct?
(A) Only Statement I is correct
(B) Only Statement II is correct
(C) Both Statements I and II are correct
(D) Neither Statement I nor Statement II is correct

May/June 2019

45. Read the following scenario and answer the question:
An adjudicating authority passes an order canceling the registration of an Asset Reconstruction Company (ARC) due to non-payment of a penalty. The ARC believes there are

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Oct/Nov 2019

34. Read the following statements concerning the powers of the adjudicating authority under Section 30A of the SARFAESI Act and select the correct option:

I. It can impose a penalty not exceeding one crore rupees or twice the amount involved, whichever is more.
II. A further penalty extending to one lakh rupees for every day may be imposed for continuing failures.
III. A notice must be served requiring the entity to show cause why the penalty should not be imposed.
IV. Any penalty imposed shall be payable within thirty days from the date of issue of notice of penalty.
V. The adjudicating authority has no power to cancel the registration if the penalty is not paid.

Which combination of statements is correct?

(A) Statements I, II, III, and IV
(B) Statements I, II, III, and V
(C) Statements II, III, IV, and V
(D) Statements I, III, IV, and V

May/June 2006

35. In terms of Section 16 of the SARFAESI Act, if a managing director's contract is prematurely terminated due to the takeover of management by the secured creditor, what is their entitlement to compensation from the borrower?

(A) No compensation is due for the loss of office or premature termination of contract.
(B) They are entitled to full compensation as per their employment contract.
(C) They are entitled to compensation limited strictly to three months' salary.
(D) They are entitled to compensation payable directly by the Asset Reconstruction Company.

Oct/Nov 2025

36. Read the following scenario and answer the question:

Mr. Z, a person in default, fails to pay a recoverable sum imposed as a penalty within the stipulated 30 days under the SARFAESI Act. The Reserve Bank identifies that Mr. Z holds a current account with the Reserve Bank.

What immediate action can the Reserve Bank take to recover the penalty?

(A) Debit the current account of Mr. Z maintained with the Reserve Bank.
(B) Liquidate Mr. Z's personal residential property without any prior notice.
(C) File a formal criminal FIR for fraud against Mr. Z in the local court.
(D) Suspend Mr. Z's passport to prevent him from leaving the country.

NODIA

May/June 2009

37. Arrange the following sequence for the appropriation of sale proceeds realized from a secured asset under the SARFAESI Act in the correct chronological order:

I. Towards the dues of the secured creditors.
II. Towards costs, charges, and expenses incidental to preservation and protection of securities.
III. Payment of any surplus to the person entitled thereto.

Which is the correct order of appropriation?

(A) II, I, III
(B) I, II, III
(C) II, III, I
(D) I, III, II

Oct/Nov 2008

38. Arrange the following statutory timelines for the disposal of an application by the Debt Recovery Tribunal (DRT) under the SARFAESI Act in the correct chronological sequence:

I. The maximum outer limit for the DRT to dispose of the application, beyond which the aggrieved party can approach the Appellate Tribunal.
II. The standard target time within which the DRT must dispose of the application as early as possible.
III. The timeframe within which the application must be filed from the date the measures were taken.

(A) II (60 days), III (45 days), I (4 months)
(B) III (45 days), I (4 months), II (60 days)
(C) I (4 months), II (60 days), III (45 days)
(D) III (45 days), II (60 days), I (4 months)

May/June 2012

39. Read the following scenario and answer the question:

An Asset Reconstruction Company (ARC) receives full payment from a borrower, effectively satisfying the security interest. The ARC must now inform

Oct/Nov 2006

28. Read the following statements regarding the definition of "Property" under the SARFAESI Act and select the correct option:

I. It includes immoveable and moveable property.
II. It excludes intangible assets such as know-how, patents, and copyright.
III. It includes any debt or any right to receive payment of money whether secured or unsecured.

Which combination of statements is correct?

(A) Statements I and II
(B) Statements II and III
(C) Statements I and III
(D) Statements I, II, and III

May/June 2018

29. Under the SARFAESI Act, an Asset Reconstruction Company may provide for any of the following measures for the purposes of asset reconstruction, EXCEPT:

(A) The sale or lease of a part or whole of the business of the borrower.
(B) Rescheduling of payment of debts payable by the borrower.
(C) Unilateral conversion of unsecured assets to secured assets without contract.
(D) Taking possession of secured assets in accordance with the provisions of this Act.

Oct/Nov 2016

30. What is the minimum percentage of the paid-up equity capital of an Asset Reconstruction Company that an entity must hold to be classified as a "Sponsor"?

(A) Five per cent
(B) Ten per cent
(C) Fifteen per cent
(D) Twenty-six per cent

May/June 2013

31. Read the following scenario and answer the question:

An authorized officer plans to sell an immoveable property by public auction. The officer publishes the sale notice in two leading newspapers. Both newspapers chosen are published in the English language.

Has the authorized officer fully complied with the publication requirements for a public auction under the SARFAESI Rules?

(A) Yes, publishing in two leading English newspapers is sufficient.
(B) No, the notice must be published in at least four newspapers, including a national daily.
(C) One newspaper must be in the local vernacular language detailing terms of sale.
(D) Yes, as long as the borrower was given a 30 days personal notice prior to the sale.

Oct/Nov 2021

32. Match the subject in List I with its relevant Section under the SARFAESI Act in List II.

List I: (Subject)

P. Establishment of Central Registry
Q. Record of transactions relating to securitization
R. Appointment of Central Registrar
S. Right to inspect particulars

List II: (Section)

1. Section 22
2. Section 20
3. Section 26
4. Section 21

(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-1, R-4, S-3
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

May/June 2021

33. Read the following scenario and answer the question:

Borrower Company XYZ is under the winding-up process. A secured creditor sells XYZ's secured assets under the SARFAESI Act. The workmen of XYZ claim their unpaid dues from the sale proceeds.

What is the legal priority of the workmen's dues regarding the sale proceeds of the secured asset?

(A) The workmen's dues are subordinate to the secured creditor and are paid only from any remaining surplus.
(B) The workmen's dues have a pari passu charge with the secured creditors under the Companies Act provisions.
(C) The workmen's dues are entirely ignored under the SARFAESI Act proceedings.
(D) The workmen must file a civil suit to claim their dues before the secured creditor can sell the asset.

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sufficient grounds to challenge this decision.
To which authority and within what time frame can the ARC prefer an appeal against the adjudicating authority's order?
(A) To the Central Government within 45 days.
(B) To the High Court within 60 days.
(C) To the Appellate Authority designated by the RBI within 30 days.
(D) To the Supreme Court within 90 days.

Oct/Nov 2009

46. Read the following scenario and answer the question:
Five banks formed a consortium to finance Alpha Industries. Alpha defaults. Bank 1 holds 20%, Bank 2 holds 20%, Bank 3 holds 15%, Bank 4 holds 15%, and Bank 5 holds 30% of the outstanding dues on the record date. Banks 1, 2, and 4 want to take possession of the secured asset, while Banks 3 and 5 disagree.
Can the consenting banks lawfully take possession of the secured asset under the SARFAESI Act?
(A) Yes, because they represent a numerical majority of the lenders.
(B) No, as the action requires agreement by secured creditors representing 60% in value.
(C) Yes, because they represent exactly 55% of the outstanding dues.
(D) No, because taking possession in a consortium requires unanimous consent of all secured creditors.

May/June 2011

47. Which is the lowest rank of court that is legally empowered to take cognizance of offences punishable under the specified sections of the SARFAESI Act?
(A) District Consumer Disputes Redressal Commission
(B) Metropolitan Magistrate or Judicial Magistrate of First Class
(C) Executive Magistrate
(D) Civil Judge (Junior Division)

Oct/Nov 2023

48. Read the following scenario and answer the question:
During the public auction of an immoveable property, the highest bid received is lower than the fixed reserve price. The authorized officer wishes to accept this lower bid to recover at least some part of the dues.
Under what condition can the authorized officer sell the asset at a price lower than the reserve price?
(A) Only with the prior approval of the Reserve Bank of India.
(B) With the written consent of both the borrower and the secured creditor.
(C) Only if the highest bid is within 10% of the reserve price.
(D) The authorized officer has the absolute discretion to sell below the reserve price without any consent.

May/June 2016

49. Read the following statements regarding the Central Registry under the SARFAESI Act and select the correct option:
I. It is established to register transactions of securitization, reconstruction, and creation of security interest.
II. The objective is to prevent frauds involving multiple lending on the same immovable property.
III. All creditors, including unsecured creditors, are eligible to exercise the right of enforcement of securities under the Act after filing with the registry.
IV. Registration with the Central Registry is deemed to be a public notice from the date of filing.
V. A secured creditor has priority over subsequent security interests created upon the registered property.
Which combination of statements is correct?
(A) Statements I, II, III, and V
(B) Statements I, II, IV, and V
(C) Statements II, III, IV, and V
(D) Statements I, III, IV, and V

Oct/Nov 2020

50. Read the following statements regarding tenancy or leasehold rights claimed upon a secured asset before the Debt Recovery Tribunal (DRT) and select the correct option:
I. The DRT has the jurisdiction to examine whether a lease or tenancy has expired or stood determined.
II. The DRT can examine if the lease was created after the issuance of the notice of default and demand by the Bank.
III. The DRT's examination of tenancy claims is

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(B) P-4, Q-3, R-1, S-2
(C) P-2, Q-4, R-3, S-1
(D) P-3, Q-1, R-2, S-4

May/June 2015

73. When the Central Government extends the time for the registration of a transaction of security interest under the SARFAESI Act, this order of extension is subject to which of the following protective conditions, EXCEPT:
(A) It shall not prejudice any rights acquired in respect of the property before the transaction is actually registered.
(B) It automatically cancels any parallel recovery proceedings initiated by the borrower in a civil court.
(C) It shall not prejudice any rights acquired in respect of the financial asset before the transaction is actually registered.
(D) It ensures that the position of existing creditors is not unfairly prejudiced.

Oct/Nov 2016

74. Read the following scenario and answer the question:
Creditor A holds an attachment order on a property and files it with the Central Registry. Subsequently, Creditor B creates a security interest on the exact same property and registers it. Creditor B claims priority because they hold a formal security interest while Creditor A only holds an attachment order.
Based on the priority rules of the SARFAESI Act, whose claim holds priority?
(A) Creditor B, because a formal security interest overrides a simple attachment order.
(B) The priority is determined solely by the borrower's preference.
(C) Neither, the property must be handed over to the State Government.
(D) Creditor A, as their attachment order was filed prior to the subsequent security interest of Creditor B.

May/June 2012

75. Read the following scenario and answer the question:
Alpha Bank's claim against a borrower arose on January 1, 2018, regarding a defaulted loan secured by immoveable property. The limitation period for taking action on a mortgage is 12 years. Alpha Bank intends to take possession of the security on January 1, 2025.
Based on the limitation provisions under the SARFAESI Act, is Alpha Bank's proposed action valid?
(A) Action is valid as it is within the 12-year limitation period from the date the cause of action arose.
(B) No, all actions under SARFAESI must strictly be taken within three years from the date the cause of action arose.
(C) No, the limitation period is completely waived under the SARFAESI Act.
(D) Yes, provided the bank files a civil suit first before taking possession.

Oct/Nov 2019

76. Read the following statements regarding registration by creditors other than secured creditors under the SARFAESI Act and select the correct option:
I. The Central Government may extend the provisions of Central Registry to all creditors.
II. Any creditor may file particulars of creation, modification, or satisfaction of any security interest with the Central Registry.
III. A creditor other than the secured creditor filing such particulars is automatically entitled to exercise the right of enforcement of securities under the Act.
Which combination of statements is correct?
(A) Statements I and II
(B) Statements II and III
(C) Statements I and III
(D) Statements I, II, and III

May/June 2006

77. Match the Section introduced in the SARFAESI Act with its corresponding subject matter.
List I: (Section)
P. Section 26B
Q. Section 26C
R. Section 26D
S. Section 26E
List II: (Subject Matter)
1. Priority to secured creditors over other debts and taxes.
2. Compulsory registration of security interest for enforcement.
3. Registration by secured creditors and other creditors.
4. Effect of registration of transactions (public

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Oct/Nov 2015

56. Which of the following statements regarding pledged goods or guarantees is INCORRECT under the SARFAESI Act?

(A) A secured creditor cannot proceed against a guarantor for due repayment without first exhausting the remedies against the security asset.

(B) Secured creditors are entitled to sell pledged goods to recover a defaulted loan without initiating actions against the security asset under SARFAESI.

(C) The right against security under the SARFAESI Act and the right against pledged security are kept separate and distinct.

(D) If a guarantor creates a security interest over their property to secure repayment, such property can be sold under the SARFAESI Act.

May/June 2008

57. Arrange the procedural steps taken by the adjudicating authority for imposing a penalty under the SARFAESI Act in the correct chronological order:

I. Issue of an order imposing the specific penalty.

II. Serving a notice on the Asset Reconstruction Company (ARC) requiring it to show cause.

III. Providing a reasonable opportunity of being heard to the person in default.

IV. Payment of the penalty within thirty days from the date of issue of the notice.

(A) II, III, I, IV

(B) II, I, III, IV

(C) III, II, I, IV

(D) I, II, III, IV

Oct/Nov 2011

58. Read the following scenario and answer the question:

A secured creditor makes a written request to the Chief Metropolitan Magistrate (CMM) to take possession of a secured asset. The CMM passes an order taking possession exactly 45 days after the request was made, without recording any specific reasons for extending the time beyond 30 days.

Is the CMM's order compliant with the specified statutory timeline for passing such orders under the SARFAESI Act?

(A) No, orders require 30 days, and extensions up to another 30 require recording reasons.

(B) Yes, the CMM has a standard 60-day window to pass the order without any requirement to record reasons.

(C) Yes, the SARFAESI Act does not impose any maximum time limit on the CMM for taking possession.

(D) No, the CMM is required to pass the order within 15 days, beyond which the power automatically transfers to the DRT.

May/June 2020

59. Which of the following pairs relating to the Central Registry under the SARFAESI Act is correctly matched?

(A) Modification of security interest - Section 20

(B) Right to inspect particulars - Section 25

(C) Filing of transactions - Section 23

(D) Central Registrar - Section 26

Oct/Nov 2006

60. Read the following statements regarding orders passed by the Debt Recovery Tribunal (DRT) under the SARFAESI Act and select the correct option:

I. Declare the recourse to the measures taken as invalid.

II. Restore the possession of secured assets to the borrower.

III. Restore the management of secured assets to the borrower.

IV. Permanently bar the secured creditor from taking any further recourse to recover the debt.

If the DRT concludes that the measures taken by the secured creditor are not in accordance with the Act, which of the above statements are correct?

(A) Statements I, II, and IV

(B) Statements I, II, and III

(C) Statements II, III, and IV

(D) Statements I, III, and IV

May/June 2007

61. Read the following statements regarding the power to make rules under the SARFAESI Act and select the correct option:

I. The Central Government can frame rules and notify them in the Official Gazette.

II. The rules can be notified in the Electronic Gazette as defined in the Information Technology Act, 2000.

III. Rules must be kept before each House of

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ANSWERS

1. (D) P-3, Q-4, R-1, S-2
Terms under the securitization law are precisely defined to ensure clarity in financial transactions. A qualified buyer is a registered financial entity like an insurance company. Hypothecation refers to charges on moveable property. Default signifies non-payment leading to non-performing asset status. An obligor is the party liable to discharge obligations regarding financial assets.

2. (C) The market is complex and requires specialized risk expertise that individual investors generally do not possess.
Individual investors are restricted from buying security receipts in asset reconstruction companies due to the inherent complexity of these financial instruments. The market for distressed assets involves high-level specialized risk assessments and financial expertise. Therefore, the regulatory framework ensures that only sophisticated institutional buyers with appropriate risk management capabilities participate in these complex securitization schemes.

3. (C) Article 14
The Supreme Court established in a landmark case that the mandatory seventy-five percent pre-deposit condition for appealing to the Debt Recovery Tribunal was unconstitutional. This requirement was found to be arbitrary and oppressive, thereby violating the right to equality under the Constitution. Consequently, the provision was struck down to ensure fair access to judicial remedies for borrowers.

4. (A) Only Statement I is correct
Securitization law differentiates between disputes involving institutional parties and those involving borrowers. Disputes specifically between a bank and an asset reconstruction company concerning securitization must be settled through conciliation or arbitration. However, these mandatory alternative dispute resolution mechanisms do not extend to disputes involving the borrower, maintaining a distinct procedural framework for different stakeholder categories.

5. (B) Appellate Tribunal - A tribunal constituted by the State Government for expedited recovery
The definition of an appellate tribunal under the securitization framework refers to a body established under the recovery of debts law, rather than a state-level tribunal for expedited recovery. This central designation ensures nationwide uniformity in legal proceedings. Other definitions correctly include banks, regional rural banks, and guarantees provided by individuals, as well as the nature of security receipts.

6. (B) Statements I, III, and IV
A demand notice under the statutory framework requires the borrower to discharge liabilities within sixty days of receipt. While the act does not mandate a rigid format, the notice must specify details of the debt and the consequences of default. Furthermore, the requirement for non-performing asset classification is dispensed with for secured debts raised through debt securities.

7. (B) 21 June, 2002
The enactment known as the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act became legally effective on June 21, 2002. This legislation provides the necessary legal framework for banks and financial institutions to recover their dues without court intervention, significantly impacting the management of non-performing assets and the securitization of financial claims.

8. (B) The company makes adequate arrangements for realization of the financial assets acquired.
The regulator maintains strict oversight over asset reconstruction companies and may cancel their registration under specific conditions. Grounds for cancellation include the cessation of business or failure to comply with regulatory directions. However, making adequate arrangements for the realization of acquired financial assets is a positive operational requirement and does not serve as a basis for revoking registration.

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May/June 2018

67. Which of the following statements CORRECTLY describes the condition laid down in Section 26D of the SARFAESI Act for the enforcement of securities?

(A) A secured creditor can exercise the rights of enforcement only if the borrower consents in writing.

(B) Security interest can be enforced only after the Chief Metropolitan Magistrate (CMM) provides an attachment order.

(C) Rights are not enforceable unless the security interest has been registered with the Central Registry.

(D) Registration of security interest is optional for enforcement if the debt exceeds Rs. 10 crore.

Oct/Nov 2005

68. Read the following Assertion (A) and Reason (R) and select the correct answer using the options provided:

Assertion (A): The provisions of the SARFAESI Act have an overriding effect over the provisions of the Transfer of Property Act if there is an inconsistency between the two.

Reason (R): Section 35 of the SARFAESI Act specifically mandates that its provisions shall override any other laws that are inconsistent with it.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

69. Regarding the priority of claims under the SARFAESI Act, which of the following is a CORRECT exception to the rule that subsequent transfers are subject to the prior registered claim?

(A) Sales executed exclusively to family members of the borrower.

(B) Leases granted for agricultural purposes for a period exceeding 99 years.

(C) Assignments made to foreign institutional investors.

(D) Transactions carried on by the borrower in the ordinary course of business.

Oct/Nov 2022

70. Under Section 26A of the SARFAESI Act, the Central Government may direct that the omission or misstatement in filing particulars with the Central Registry be rectified. This relief can be granted on all of the following grounds, EXCEPT:

(A) The omission was accidental.

(B) The omission was due to inadvertence.

(C) The omission is of a nature that heavily prejudices the position of other creditors.

(D) It is just and equitable to grant such relief on other sufficient grounds.

May/June 2013

71. What is the primary legal implication of the "Protection of Action Taken in Good Faith" provision under the SARFAESI Act?

(A) It provides absolute immunity to borrowers against any recovery actions initiated by banks.

(B) It allows secured creditors to bypass the Debt Recovery Tribunal (DRT) completely and acquire properties without any procedural compliance.

(C) It restricts the Central Government from amending the SARFAESI Act in the future.

(D) It prevents proceedings against the RBI, Registry, or creditor for actions taken in good faith.

Oct/Nov 2017

72. Match the statute in List I with the nature of its amendment by the SARFAESI Act in List II.

List I: (Statute)

P. Companies Act, 1956

Q. Securities Contracts (Regulation) Act, 1956

R. Sick Industrial Companies (Special Provisions) Act, 1985

S. SARFAESI Act itself

List II: (Nature of Amendment)

1. Inclusion of "security receipt" in the definition of securities.
2. Abatement of references pending before BIFR if secured creditors representing 60% take measures.
3. Declaring a registered ARC as a Public Financial Institution.
4. Overriding effect on other inconsistent laws.

(A) P-3, Q-1, R-2, S-4

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must avoid activities that lead to unauthorized pecuniary liabilities or business conflicts.

18. (B) Statements I, II, and IV
Under the regulatory framework, a financial asset is broadly defined to include various types of claims and interests. This includes any debt or receivables, whether secured or unsecured, and rights in the security securing such debt. It also encompasses any financial assistance provided by banks. Beneficial interests in tangible assets on hire or lease are also included.

19. (C) Assertion (A) is true, but Reason (R) is false.
Security receipts issued by asset reconstruction companies are typically exempt from registration under the Registration Act of 1908. This exemption facilitates the ease of transfer and marketability of these instruments among qualified buyers. Although the receipts represent interests in financial assets, the specific statutory provisions prioritize efficiency in the securitization market over traditional property registration requirements.

20. (A) Statements I and II
To operate legally, an asset reconstruction company must obtain a certificate of registration from the central regulator and maintain a minimum amount of owned funds. Currently, this threshold is set at two crore rupees or a higher amount as specified. Furthermore, any substantial change in the management of the company requires prior approval from the regulatory authority.

21. (C) No, the secured creditor must communicate the reasons for non-acceptance within 15 days of receipt.
Upon receiving a representation or objection from a borrower following a demand notice, the secured creditor must evaluate the submission. If the creditor finds the objection untenable, they are legally required to communicate the reasons for non-acceptance within fifteen days of receiving the representation. Failure to adhere to this statutory timeline constitutes a procedural lapse in the recovery process.

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22. (B) Originator - The owner of a financial asset that is acquired by an Asset Reconstruction Company
In the context of securitization, the originator refers to the entity, typically a bank, that owns the financial asset before it is acquired by an asset reconstruction company. This term is distinct from sponsors, who hold equity in the reconstruction company, or the central registry, which maintains records. Understanding these roles is essential for navigating the asset transfer process.

23. (D) It converts non-liquidated financial assets into marketable securities that can be sold to investors.
Securitization fundamentally transforms the financial landscape by converting non-liquid financial assets into marketable securities. These securities represent interests in the underlying assets and can be sold to various institutional investors. This process enhances market liquidity, allows banks to manage their portfolios more effectively, and provides a structured mechanism for the recovery of capital from distressed loan accounts.

24. (D) Provisions apply directly to enforce the pledge and sell shares where controlling interest is pledged.
The exercise of powers under the securitization law is strictly governed by the provisions of the statute. While creditors can take possession of secured assets, this authority must be exercised within the legal framework and existing contractual agreements. Certain actions, like the direct sale of pledged shares without following specific procedural safeguards, may fall outside the intended statutory scope.

25. (B) Statements I, II, and IV
Asset reconstruction companies can acquire financial assets through various financial instruments, including debentures or bonds. Documents executed for these acquisitions are generally exempt from stamp duty when intended for securitization purposes. Additionally, any pending legal suits against the bank regarding the acquired asset do not abate but can be continued by or against the acquiring reconstruction company.

notice).

(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-1, S-2
(C) P-3, Q-4, R-2, S-1
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2008

78. Which of the following statements regarding the jurisdiction of Courts under the SARFAESI Act is INCORRECT?

(A) No Civil Court shall have jurisdiction to entertain any suit relating to matters empowered to the Debt Recovery Tribunal (DRT).
(B) Courts can grant injunctions for actions under the Act to protect the borrower's rights.
(C) The Act bars the jurisdiction of Civil Courts to make the implementation of the Act more effective.
(D) Matters empowered to the appellate tribunal are excluded from the jurisdiction of Civil Courts.

May/June 2009

79. Read the following scenario and answer the question:

A secured creditor properly registers a security interest over a commercial building. Subsequently, the State Government levies a massive penalty on the borrower for tax evasion and claims priority over the building's sale proceeds to recover the tax.

According to Section 26E of the SARFAESI Act, who holds the priority to receive payments from the sale of the building?

(A) The State Government, as tax revenues possess sovereign priority over all commercial debts.
(B) The secured creditor, as such debts are paid in priority over revenues, taxes, or government cesses.
(C) The proceeds must be shared equally (pari passu) between the secured creditor and the State Government.
(D) The borrower, who is entitled to a subsistence allowance before any creditor is paid.

Oct/Nov 2025

80. What is the legal effect of filing particulars of a transaction of creation of security interest with the Central Registry under the SARFAESI Act?

(A) It is deemed to constitute a public notice from the date and time of filing.
(B) It grants the borrower an automatic extension of 90 days to clear the debt.
(C) It triggers the immediate winding up of the borrower's company.
(D) It exempts the secured creditor from paying any stamp duty on future assignments.

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Parliament while in session for a total period of thirty days.

IV. If Parliament modifies or cancels a rule, acts previously done under that rule become legally vitiated and void.

Which combination of statements is correct?

(A) Statements I, II, and III
(B) Statements I, III, and IV
(C) Statements II, III, and IV
(D) Statements I, II, and IV

Oct/Nov 2018

62. Which of the following statements regarding the priority of secured creditors under the SARFAESI Act is INCORRECT?

(A) Workmen dues under the Companies Act are entirely subordinate and hold no pari passu charge.
(B) The debts due to any secured creditor shall be paid in priority over revenues, taxes, and cesses payable to the Government.
(C) The priority under Section 26E applies after the registration of the security interest.
(D) Registration of attachment orders filed by tax authorities will be deemed to be a public notice.

May/June 2024

63. Read the following Assertion (A) and Reason (R) and select the correct answer using the options provided:

Assertion (A): If an offence is committed under the SARFAESI Act by a company, any person who was in charge of the business is deemed guilty of the offence.

Reason (R): The Act does not allow any defense for a person in charge to prove that the offence was committed without their knowledge or that they exercised due diligence.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2021

64. Read the following scenario and answer the question:

The Income Tax Department issues an order for the attachment of Mr. Y's property due to unpaid taxes.

What action is the authority issuing the attachment order required to take under the SARFAESI Act regarding the Central Registry?

(A) The authority must file the order with assessee particulars and tax due details with the Central Registry.
(B) The authority must physically auction the property before filing any details.
(C) The authority is expressly exempted from filing any information with the Central Registry to maintain taxpayer confidentiality.
(D) The authority must transfer the attachment rights directly to a registered Asset Reconstruction Company (ARC).

May/June 2023

65. Read the following statements regarding Section 31A of the SARFAESI Act and select the correct option:

I. The Central Government may direct that any provisions of the Act shall apply with modifications to certain classes of banks in the public interest.
II. A copy of every notification proposed under this section must be laid in draft before each House of Parliament for thirty days.

Which combination is correct?

(A) Only Statement I is correct
(B) Only Statement II is correct
(C) Both Statements I and II are correct
(D) Neither Statement I nor Statement II is correct

Oct/Nov 2012

66. Which of the following pairs regarding the amendments to the SARFAESI Act is INCORRECTLY matched?

(A) Section 26B - Extension of Central Registry provisions to all creditors
(B) Section 26D - Makes it voluntary for a secured creditor to register security interest for enforcement
(C) Section 26C - Legal impact of registration serving as a public notice
(D) Section 26E - Establishes the priority of secured creditors over revenues, taxes, and cesses

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9. (B) Borrowers must be given a hearing at a pre-decisional stage before any action is taken.
Legal precedents emphasize that principles of natural justice must be integrated into the asset reconstruction process. Secured creditors are required to provide borrowers with a hearing or an opportunity to respond at the pre-decisional stage before measures are finalized. This ensures that the enforcement of security interest remains fair and follows the established principles of administrative law.

10. (C) The property on which a security interest is created.
A secured asset is legally defined as the specific property on which a security interest has been created in favor of a creditor. This term encompasses any moveable or immoveable property linked to the financial assistance provided. Understanding this definition is crucial because the statutory enforcement powers are strictly limited to these assets and do not extend to others.

11. (D) Require any person who has acquired the secured asset from the borrower to pay the creditor.
If a borrower fails to satisfy a demand notice within the sixty-day window, the secured creditor may exercise various recovery measures. One such legal entitlement is requiring any person who has acquired the secured asset from the borrower to pay the creditor directly. This mechanism prevents the dilution of security and ensures the creditor can reach the realized value.

12. (C) Acquisition by an ARC of rights or interests in financial assistance for the purpose of realization.
Asset reconstruction is defined as the acquisition of any right or interest in financial assistance by an asset reconstruction company from a bank. The primary goal of this acquisition is the realization of the underlying financial assets. This specialized process allows banks to clean their balance sheets while transferring the recovery responsibility to professional entities specialized in asset management.

13. (A) If notice is not given, the bank holds received money in trust for the ARC.
When an asset reconstruction company acquires a financial asset, the bank may continue to receive payments if notice is not served to the obligor. In such instances, the bank is legally obligated to hold the received money in trust for the benefit of the acquiring company. This ensures the continuity of rights during the transition of asset ownership.

14. (C) The raising of funds from qualified buyers by inviting subscription to security receipts.
A scheme formulated by an asset reconstruction company serves as a vital financial instrument for capital mobilization. It facilitates the raising of funds from qualified buyers by inviting subscriptions to security receipts issued by the company. This process allows institutional investors to participate in the securitization market, providing the necessary liquidity for the reconstruction of distressed financial assets.

15. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The legislation empowers secured creditors to enforce security interests without the traditional intervention of courts or tribunals. This streamlined power is supported by the fact that the statute has an overriding effect on conflicting provisions in the Transfer of Property Act. This legal precedence ensures that debt recovery processes are expedited and not hindered by conventional litigation hurdles.

16. (A) Only Statement I is correct
The recovery framework applies specifically to cases where the security interest for repayment exceeds one lakh rupees. However, it does not apply if the remaining debt is less than twenty percent of the principal and interest. In this context, the provision requiring the amount due to be at least ten percent is incorrect, as the statutory threshold is higher.

17. (A) An asset reconstruction company may act as a receiver if appointed by any court or tribunal.
Asset reconstruction companies are permitted to perform additional functions beyond securitization, provided they obtain prior regulatory approval. One such permitted role is acting as a receiver if appointed by a court or tribunal. This allows the company to manage assets under judicial supervision, though they

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subordinate to all other local tenancy laws and cannot override them.

Which combination of statements is correct?

(A) Statements I and II
(B) Statements II and III
(C) Statements I and III
(D) Statements I, II, and III

May/June 2005

51. Read the following statements regarding cases where the provisions of the SARFAESI Act are NOT applicable and select the correct option:

I. A pledge of moveable goods.
II. Any conditional sale or hire-purchase where no security interest has been created.
III. Any security interest created in agricultural land.
IV. Any security interest for securing repayment of a financial asset not exceeding one lakh rupees.
V. Any case in which the amount due is exactly fifty per cent of the principal amount and interest thereunder.

Which combination of statements is correct?

(A) Statements I, II, III, and IV
(B) Statements I, II, IV, and V
(C) Statements II, III, IV, and V
(D) Statements I, III, IV, and V

Oct/Nov 2007

52. Read the following scenario and answer the question:

A secured creditor takes possession of a secured asset consisting of fresh agricultural produce stored in a cold storage facility whose lease has expired, subjecting the produce to speedy and natural decay. The authorized officer decides to sell the property immediately without waiting for standard notice periods.

Is the authorized officer legally permitted to sell the property at once?

(A) No, the officer must adhere to the strict 30 days notice period irrespective of the nature of the property.
(B) Yes, but only after obtaining a formal court order from the District Magistrate.
(C) No, agricultural produce is permanently exempt from all enforcement actions under the Act.
(D) Yes, the officer can sell the property at once if it is subject to speedy or natural decay.

May/June 2014

53. Read the following statements regarding the takeover of management of a borrower company under the SARFAESI Act and select the correct option:

I. A notice may be published in an English newspaper and a local vernacular newspaper for the appointment of directors.
II. On publication, the existing directors of the company shall be deemed to have vacated their offices.
III. Any management contract between the borrower and directors is deemed terminated.
IV. The shareholders of the company can lawfully appoint new directors after the takeover without the secured creditor's consent.
V. No proceeding for the winding up of the company shall lie in any Court without the consent of the secured creditor.

Which combination of statements is correct?

(A) Statements I, II, III, and V
(B) Statements I, II, III, and IV
(C) Statements II, III, IV, and V
(D) Statements I, III, IV, and V

Oct/Nov 2013

54. Any person who commits any of the following acts relating to the provisions of the SARFAESI Act shall be punishable with imprisonment for a term extending to one year or with a fine or both, EXCEPT:

(A) Contravenes the provisions of the Act.
(B) Attempts to contravene the provisions of the Act.
(C) Files a lawful application before the DRT against the measures taken by the secured creditor.
(D) Abets the contravention of the provisions of the Act.

May/June 2022

55. What is the standard stipulated percentage of the debt claimed that a borrower must deposit to prefer an appeal to the Appellate Tribunal (DRAT) under the SARFAESI Act?

(A) Twenty-five per cent
(B) Fifty per cent
(C) Seventy-five per cent
(D) One hundred per cent

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26. (D) To regulate securitization, reconstruction of financial assets, and the enforcement of security interest.
The preamble of the statute clearly outlines its primary objectives to regulate the securitization and reconstruction of financial assets. It also provides the legal basis for the enforcement of security interests and the establishment of a central registry for tracking these interests. This specialized law aim to streamline recovery processes and enhance the efficiency of the national credit system.

27. (B) Statements I, II, III, and V
The central regulator possesses extensive powers over asset reconstruction companies to ensure financial stability. These powers include determining policies for income recognition, conducting audits, and inspecting business statements. The regulator can also appoint observers to monitor board meetings. However, removing a high-ranking official like the Chairman requires giving the individual a reasonable opportunity to be heard first.

28. (C) Statements I and III
The legal definition of property under this framework is comprehensive, covering both moveable and immoveable assets. It also includes intangible assets like patents and copyrights, as well as any debt or right to receive payment. This broad classification ensures that all forms of valuable assets can be utilized as security and recovered efficiently by creditors under the law.

29. (C) Unilateral conversion of unsecured assets to secured assets without contract.
Asset reconstruction companies can employ various measures to recover dues, such as rescheduling payments or taking possession of assets. However, they are not permitted to unilaterally convert unsecured assets into secured assets without an existing contract or legal basis. Such an action would exceed their statutory authority and violate the contractual rights of the borrower and other creditors.

30. (B) Ten per cent
A sponsor is defined as any entity that holds a significant portion of the paid-up equity capital in an asset reconstruction company. The statutory threshold for this classification is a minimum holding of ten per cent. Identifying sponsors is important for regulatory oversight, as they play a critical role in the management and financial health of the reconstruction entity.

31. (C) One newspaper must be in the local vernacular language detailing terms of sale.
For the public auction of immoveable property, specific transparency requirements must be met. The authorized officer is required to publish the sale notice in two leading newspapers. Crucially, one of these newspapers must be a local vernacular publication in the area where the property is situated. This ensures that the notice reaches a wide and relevant local audience.

32. (B) P-2, Q-1, R-4, S-3
Different sections of the securitization law govern the administrative framework of the registry. Section 20 deals with the establishment of the central registry, while Section 21 covers the appointment of the registrar. Records of transactions are managed under Section 22, and the right to inspect these records is provided under Section 26. These provisions ensure organized record-keeping.

33. (B) The workmen's dues have a pari passu charge with the secured creditors under the Companies Act provisions.
In cases where a company is being wound up, the law protects the interests of workers. The dues owed to workmen have a pari passu charge with those of the secured creditors. This means that when sale proceeds from secured assets are distributed, the workmen's claims must be satisfied alongside the creditor's claims in the prescribed legal proportion.

34. (A) Statements I, II, III, and IV
The adjudicating authority has the power to impose substantial penalties for non-compliance with the act. These can include fines up to one crore rupees and daily penalties for continuing failures. Before imposing such penalties, the authority must serve a show-cause notice and allow the entity to respond. Penalties must be paid within thirty days of the final order.

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35. (A) No compensation is due for the loss of office or premature termination of contract.
If the management of a borrower company is taken over by a secured creditor, any existing management contracts may be terminated. In such instances, the terminated managing director is not entitled to any compensation for the loss of office or premature termination of their contract. This provision ensures that the reconstruction process is not burdened by additional financial liabilities.

36. (A) Debit the current account of Mr. Z maintained with the Reserve Bank.
If a penalty imposed under the securitization law is not paid within the specified timeframe, the central regulator can take direct recovery actions. This includes the power to debit the current account of the defaulting party if such an account is maintained with the regulator. This ensures that administrative penalties are effectively enforced and collections are handled efficiently.

37. (A) II, I, III
The distribution of sale proceeds realized from a secured asset follows a strict chronological order. First, all costs, charges, and expenses related to the preservation and protection of the security must be cleared. Next, the remaining amount is applied toward the dues of the secured creditors. Finally, any remaining surplus is paid to the person legally entitled to it.

38. (D) III (45 days), II (60 days), I (4 months)
Statutory timelines for debt recovery applications are clearly defined to ensure speed. A person aggrieved by the creditor's measures must file an application to the Debt Recovery Tribunal within forty-five days. The tribunal then aims to dispose of the matter within sixty days. If delayed, the final outer limit for resolution is established at four months from filing.

39. (B) Within thirty days from the date of payment.
When a borrower fully satisfies the debt and the security interest is extinguished, the asset reconstruction company must act promptly. The company is required to intimate the central registrar about the payment or satisfaction of the security interest within thirty days. This ensures that the public records are updated accurately, reflecting that the property is no longer under encumbrance.

40. (C) Twenty-five per cent
Upon the confirmation of a property sale under the securitization rules, the purchaser must make an immediate financial commitment. The rules require the purchaser to deposit twenty-five per cent of the offer price on the same day or no later than the next working day. This initial deposit secures the bid and demonstrates the purchaser's readiness to proceed.

41. (B) P-2, Q-4, R-1, S-3
Various statutes complement the securitization framework through specific exemptions. Liens on goods are managed under the Indian Contract Act, while security interests in vessels fall under the Merchant Shipping Act. The rights of an unpaid seller are governed by the Sale of Goods Act. Pledges of moveable goods are specifically addressed in Section 172 of the Contract Act.

42. (C) Equivalent to a Chief Manager of a public sector bank.
To ensure that the enforcement of security is handled by senior personnel, the rules specify the rank of the authorized officer. This officer must be at a level equivalent to a Chief Manager of a public sector bank. This requirement ensures that significant actions, such as taking physical possession of property, are overseen by experienced and responsible financial officials.

43. (C) Assertion (A) is true, but Reason (R) is false.
If the Debt Recovery Tribunal determines that a creditor took possession of an asset in violation of the law, the borrower is entitled to compensation and costs. While this right is established in the statute, there is no specific ten lakh rupee pecuniary limit mentioned for filing such compensation claims. The focus remains on redressing the unlawful recovery action.

44. (B) Only Statement II is correct
Section 17 allows any person, including the borrower, who is aggrieved by the measures taken by a secured creditor to approach the Debt Recovery Tribunal. The application must be filed within forty-five days from the date the measures were initiated. This provision ensures that there

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is a legal recourse for any party affected by the potential misuse of recovery powers.

45. (C) To the Appellate Authority designated by the RBI within 30 days.
If an asset reconstruction company faces the cancellation of its registration by the Reserve Bank of India, it has the right to appeal. The appeal must be filed with the Central Government within thirty days of the order. This mechanism provides a necessary check on administrative decisions, allowing companies to challenge findings they believe are incorrect or legally flawed.

46. (B) No, as the action requires agreement by secured creditors representing 60% in value.
In consortium lending, the decision to take possession of a secured asset requires a specific level of consensus among the creditors. The law mandates that such action must be agreed upon by secured creditors representing at least sixty per cent of the total outstanding value. Therefore, a majority that represents only fifty-five per cent of the debt cannot lawfully proceed.

47. (B) Metropolitan Magistrate or Judicial Magistrate of First Class
For offences punishable under the securitization act, the law identifies the lowest rank of court that can take cognizance. This responsibility lies with either a Metropolitan Magistrate or a Judicial Magistrate of the First Class. These courts have the judicial authority to handle the legal proceedings and impose penalties as prescribed by the specific provisions of the legislation.

48. (B) With the written consent of both the borrower and the secured creditor.
During a public auction, if the highest bid falls below the reserve price, the authorized officer cannot automatically accept it. Sale below the reserve price is only permissible if the officer obtains the written consent of both the borrower and the secured creditor. This rule protects the interests of all parties by ensuring the asset is not sold undervalued.

49. (B) Statements I, II, IV, and V
The central registry serves as a vital database for recording securitization and security interests. Its primary objective is to prevent fraud, such as multiple loans on the same property. Registration serves as a public notice, and registered interests generally have priority over subsequent claims. However, this enforcement framework is restricted to secured creditors and does not include unsecured creditors.

50. (A) Statements I and II
The Debt Recovery Tribunal has the jurisdiction to evaluate the validity of tenancy or leasehold claims on secured assets. It can investigate whether a lease was created after the demand notice was issued or if it has already expired. This authority allows the tribunal to prevent the use of fraudulent leases as a tactic to delay or obstruct recovery actions.

51. (A) Statements I, II, III, and IV
The securitization law does not apply to certain types of transactions, such as pledges of moveable goods or security interests in agricultural land. It also excludes cases where the financial asset is less than one lakh rupees or the amount due is less than twenty per cent of the debt. These exemptions recognize specific sectoral needs and prioritize significant recovery efforts.

52. (D) Yes, the officer can sell the property at once if it is subject to speedy or natural decay.
In situations involving fresh agricultural produce or other goods subject to speedy and natural decay, the authorized officer can take immediate action. The law permits the immediate sale of such property without adhering to standard notice periods. This flexibility prevents the total loss of the asset's value, ensuring that the creditor can recover some amount from the perishable goods.

53. (A) Statements I, II, III, and V
When a secured creditor takes over the management of a company, specific legal consequences follow. Existing directors are deemed to have vacated their offices, and management contracts are terminated. Shareholders are barred from appointing new directors without the creditor's consent. Additionally, no winding-up proceedings can be initiated against the company in court without the express consent of the secured creditor.

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May/June 2021

14. Which of the following statements is correct regarding the qualifications for appointment as the presiding officer of a tribunal?

(A) A person is qualified if he has been a member of the Indian legal service for at least three years.

(B) A person is qualified only if he has previously served as a High Court Judge.

(C) A person is qualified if he is, or has been, or is qualified to be appointed as a District Judge.

(D) A person is qualified if he holds a degree in law and has practiced as an advocate for ten years.

Oct/Nov 2022

15. In the context of filing an application before the Tribunal, what is the best description of the territorial jurisdiction requirement?

(A) The application must exclusively be filed where the defendant maintains a secondary residence.

(B) The application must only be filed in the capital city of the state where the bank's head office is situated.

(C) The application must be filed where the collateral asset is physically located, irrespective of the defendant's location.

(D) Where the branch is located, the defendant resides, or cause arises.

May/June 2018

16. Under the Recovery of Debts and Bankruptcy Act, 1993, what constitutes an "Appellate Tribunal"?

(A) A body established for the purpose of preferring an appeal against the order passed by the tribunal.

(B) A bench of the High Court designated for hearing banking disputes.

(C) An internal committee of a consortium of banks handling insolvency resolution.

(D) A specialised civil court acting under the superintendence of the District Judge.

Oct/Nov 2016

17. When a notice is issued by the Recovery Officer to a bank or financial institution requiring payment of money held on account of the defendant, which of the following requirements is explicitly waived by the Act?

(A) Production of any passbook or deposit receipt before making payment.

(B) The necessity to serve the notice in writing.

(C) The requirement to give a receipt for the payment made.

(D) The application of the Code of Civil Procedure regarding attachment exemptions.

May/June 2014

18. Within how many days from the date of service of summons must the defendant present a written statement of defense?

(A) 15 days

(B) 30 days

(C) 45 days

(D) 60 days

Oct/Nov 2007

19. Identify the incorrect statement regarding the overriding effect of the Recovery of Debts and Bankruptcy Act, 1993.

(A) The provisions of the Act shall have effect notwithstanding anything inconsistent contained in any other law for the time being in force.

(B) The Act overrides the provisions of the Companies Act, making the leave of the company court unnecessary even if the company is under winding up proceedings.

(C) The Act is considered a special Act for the recovery of debt due to banks and financial institutions.

(D) The Act entirely voids the State Financial Corporations Act, 1951.

May/June 2025

20. Which of the following correctly describes a power of the Chairperson of the Appellate Tribunal?

(A) The Chairperson has the power to appraise the work of presiding officers under his control.

(B) The Chairperson can transfer any application from any Presiding Officer within his jurisdiction to any other Presiding Officer without giving notice to the parties.

(C) The Chairperson can independently remove a Presiding Officer from office for misbehavior.

(D) The Chairperson is authorised to entertain writ petitions under Article 226 of the

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63. (C) Assertion (A) is true, but Reason (R) is false.
When a company commits an offence, the individuals in charge of its business are generally deemed guilty. However, the law provides a defense for these individuals. They can avoid liability if they prove the offence was committed without their knowledge or that they exercised all due diligence to prevent it. This ensures that legal responsibility is applied fairly and accurately.

64. (A) The authority must file the order with assessee particulars and tax due details with the Central Registry.
Authorities issuing attachment orders, such as the tax department, must file the details with the central registry. This includes information about the assessee and the amount of tax due. This requirement integrates government claims into the public notice system, allowing other creditors to be aware of existing encumbrances and maintaining the transparency and integrity of the financial records.

65. (C) Both Statements I and II are correct
Section 31A allows the central government to modify the application of the act for certain classes of banks in the public interest. Any proposed notification for such modifications must be laid in draft before both houses of parliament for a period of thirty days. This legislative oversight ensures that any changes to the standard recovery framework are thoroughly reviewed.

66. (B) Section 26D - Makes it voluntary for a secured creditor to register security interest for enforcement
Amendments have clarified the role of the central registry. Section 26D specifically makes the registration of a security interest compulsory for a secured creditor to exercise enforcement rights. Any statement suggesting that registration is voluntary for enforcement is incorrect, as the law now ties the ability to take recovery measures directly to the act of recording the interest in the registry.

67. (C) Rights are not enforceable unless the security interest has been registered with the Central Registry.
For a secured creditor to enforce their rights under the securitization law, they must meet a critical administrative condition. The security interest must be registered with the central registry. Without this registration, the creditor is not legally entitled to exercise the powers of enforcement provided by the act. This rule encourages transparency and protects the rights of other potential creditors.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The provisions of the securitization act are designed to take precedence over any inconsistent laws, including the Transfer of Property Act. Section 35 specifically mandates this overriding effect to ensure that the recovery process is not stalled by conflicting legal requirements. This hierarchy is essential for the act to achieve its objective of expedited and efficient debt recovery for institutions.

69. (D) Transactions carried on by the borrower in the ordinary course of business.
Registered claims generally have priority over subsequent transfers, but there are exceptions. Transactions carried out by a borrower in the ordinary course of their business are typically exempt from this priority rule. This exception allows the borrower to continue normal operations without every routine business deal being hampered by the registered security interest held by a bank or financial institution.

70. (C) The omission is of a nature that heavily prejudices the position of other creditors.
The central government can allow for the rectification of errors or omissions in the registry if they were accidental or due to inadvertence. Relief is granted when it is just and equitable. However, if an omission is of a nature that heavily prejudices the position of other creditors, it may serve as a ground for denying the request for rectification.

71. (D) It prevents proceedings against the RBI, Registry, or creditor for actions taken in good faith.
The "good faith" provision provides essential legal protection to officials and entities involved in the recovery process. It prevents legal proceedings against the regulator, the central registry, or the secured creditor for actions performed honestly and in accordance with the law. This protection

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ensures that these parties can perform their statutory duties without the constant threat of personal or institutional litigation.

72. (D) P-3, Q-1, R-2, S-4
The securitization act introduced amendments to several other statutes to ensure legal consistency. It included "security receipts" under the definition of securities in the SCRA and allowed for the abatement of BIFR references. It also designated registered asset reconstruction companies as public financial institutions. These changes integrated the new recovery framework into the existing broader corporate and financial legal system.

73. (B) It automatically cancels any parallel recovery proceedings initiated by the borrower in a civil court.
When the government extends the time for registering a security interest, it must protect existing rights. The extension cannot prejudice any rights acquired in the property or financial asset before the actual registration. However, this administrative extension does not automatically cancel any parallel recovery proceedings that the borrower might have initiated in a civil court, as those are separate legal matters.

74. (D) Creditor A, as their attachment order was filed prior to the subsequent security interest of Creditor B.
Priority among competing claims is often determined by the timing of registration with the central registry. If a creditor files an attachment order before another creditor registers a subsequent security interest on the same property, the first filer holds priority. This system rewards prompt filing and provides a clear, objective method for resolving disputes over the order of payment from asset sales.

75. (A) Action is valid as it is within the 12-year limitation period from the date the cause of action arose.
Actions under the securitization law are subject to the same limitation periods that would apply to a civil suit. For a mortgage, the limitation period is generally twelve years. If a bank initiates recovery seven years after the default, the action is valid because it falls well within the twelve-year window. The statute does not waive these essential time limits.

76. (A) Statements I and II
The central government can extend the registry's scope to allow all creditors to file particulars of their security interests. This helps maintain a comprehensive public record of encumbrances. However, simply filing these particulars does not grant other creditors the special enforcement powers under the act, as those are specifically reserved for "secured creditors" as defined by the legislation.

77. (C) P-3, Q-4, R-2, S-1
Several sections added by amendment govern the priority and registration of security interests. Section 26C establishes that registration serves as public notice, while Section 26D makes registration mandatory for enforcement. Section 26E provides secured creditors with priority over other debts and government taxes. Together, these sections create a robust legal framework for protecting the rights of registered secured creditors.

78. (B) Courts can grant injunctions for actions under the Act to protect the borrower's rights.
Civil courts are generally barred from entertaining suits or granting injunctions regarding matters that fall under the jurisdiction of the Debt Recovery Tribunal. This restriction is intended to prevent debtors from using the civil court system to delay the recovery process. By concentrating jurisdiction in specialized tribunals, the law ensures that debt recovery remains an expedited and efficient administrative process.

79. (B) The secured creditor, as such debts are paid in priority over revenues, taxes, or government cesses.
Section 26E establishes a clear priority for secured creditors over other claims once their interest is registered. This priority specifically includes revenues, taxes, and cesses payable to the central or state governments. Therefore, in a conflict between a registered bank and a government tax claim, the secured creditor is entitled to be paid first from the proceeds of the asset.

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80. (A) It is deemed to constitute a public notice from the date and time of filing.

Filing the particulars of a security interest with the central registry has a significant legal consequence. From the moment of filing, it is deemed to constitute a public notice to all. This means that any subsequent purchaser or creditor is legally assumed to be aware of the existing charge, protecting the prior creditor's rights and preventing fraudulent double-financing of assets.

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54. (C) Files a lawful application before the DRT against the measures taken by the secured creditor.
The legislation imposes penalties for contravening its provisions, attempting such contravention, or abetting it. Punishments can include imprisonment or fines. However, filing a lawful application before the Debt Recovery Tribunal is a statutory right provided to aggrieved parties. Such an act is a legitimate legal process and does not constitute an offence under the provisions of the securitization act.

55. (B) Fifty per cent
To prefer an appeal before the Debt Recovery Appellate Tribunal, a borrower must fulfill a pre-deposit requirement. The standard amount is fifty per cent of the debt claimed by the secured creditor or determined by the tribunal, whichever is less. This deposit acts as a deterrent against frivolous appeals while ensuring some security for the creditor during the litigation.

56. (A) A secured creditor cannot proceed against a guarantor for due repayment without first exhausting the remedies against the security asset.
Secured creditors are not legally restricted from proceeding against a guarantor even before exhausting remedies against the primary secured asset. The rights against a guarantor and the rights against the security interest are considered distinct. If a guarantor has provided a security interest over their own property, that property can also be subject to recovery actions under the law.

57. (A) II, I, III
The process for imposing a penalty involves several structured steps. First, the authority must serve a show-cause notice on the company. Next, the person in default must be given a reasonable opportunity to be heard. Following this, a formal order imposing the specific penalty is issued. Finally, the penalty must be paid within thirty days of the notice date.

58. (A) No, orders require 30 days, and extensions up to another 30 require recording reasons.
A Chief Metropolitan Magistrate must pass an order for taking possession of a secured asset within thirty days of a request. An extension of another thirty days is possible, but the magistrate must record specific reasons for the delay. An order passed after forty-five days without recorded reasons is non-compliant with the statutory timelines mandated by the recovery framework.

59. (C) Filing of transactions - Section 23
The administrative framework of the central registry is organized under specific sections. Section 23 is particularly important as it mandates the filing of transactions related to the creation, modification, or satisfaction of security interests. Accurate filing is essential for the registry to function as an effective public notice system and to establish the legal priority of various financial claims.

60. (B) Statements I, II, and III
If the Debt Recovery Tribunal determines that recovery measures were not conducted according to the law, it can issue corrective orders. These include declaring the measures invalid and restoring the possession or management of the secured assets to the borrower. However, the tribunal does not have the authority to permanently bar a secured creditor from seeking future legitimate recovery options.

61. (A) Statements I, II, and III
The central government has the authority to frame and notify rules in the official or electronic gazette. These rules must be presented before both houses of parliament for thirty days. While parliament can modify or cancel rules, any actions previously taken under those rules remain valid. This ensures that the administrative process remains stable even if the regulations are updated.

62. (A) Workmen dues under the Companies Act are entirely subordinate and hold no pari passu charge.
Secured creditors generally hold priority over government taxes and cesses once their security interest is registered. The law also establishes that workmen's dues have a pari passu charge, meaning they are not subordinate but are paid alongside the secured creditors. This ensures that employee interests are protected during the recovery and liquidation of a company's assets under the act.

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(D) Such execution requires prior approval from the Ministry of External Affairs before approaching the Tribunal.

Oct/Nov 2009

7. Which of the following liabilities is exclusively captured under the definition of "debt" under the Recovery of Debts and Bankruptcy Act, 1993?
(A) A liability strictly limited to principal amounts secured by a registered mortgage.
(B) Any legally recoverable liability claimed as due by a bank in its business.
(C) Any financial obligation, including amounts misappropriated by an employee through fraud.
(D) Only decrees and orders passed by a civil court before the year 1993.

May/June 2023

8. Which of the following is correct regarding the application of the Limitation Act, 1963 to the Tribunal?
(A) The Limitation Act, 1963 does not apply to applications filed before the Tribunal.
(B) The application for recovery must normally be filed by the bank within three years from the cause of action.
(C) The limitation period is strictly fixed at twelve years for all unsecured debts.
(D) The Tribunal has the inherent power to waive the limitation period indefinitely for any financial institution.

Oct/Nov 2018

9. The Central Government establishes Debts Recovery Tribunals. Which of the following is NOT a qualification for appointment as the Chairperson of an Appellate Tribunal?
(A) Is, or has been, or is qualified to be a Judge of a High Court.
(B) Has served as the Chairman of a nationalised bank for at least five years.
(C) Has been a member of the Indian legal service and held a post in Grade of that service for at least three years.
(D) Has held office as the presiding officer of a tribunal for at least three years.

May/June 2012

10. Why did the Supreme Court uphold the constitutional validity of the Recovery of Debts and Bankruptcy Act, 1993?
(A) Because civil courts voluntarily surrendered their jurisdiction to the tribunals.
(B) Because the Act was protected under the Ninth Schedule of the Constitution.
(C) Because Parliament can enact laws for banking business and debt recovery.
(D) Because the State Governments ratified the Act through special resolutions.

Oct/Nov 2006

11. How is evidence by way of affidavit treated by the Debts Recovery Tribunal (DRT)?
(A) Affidavits are considered inadmissible; all witnesses must be examined in person.
(B) Affidavits must be corroborated by physical evidence authenticated by a notary public.
(C) Cross-examination is mandatory for every affidavit submitted by the bank.
(D) The tribunal is not required to produce a witness for cross-examination by default.

May/June 2019

12. What is the minimum threshold amount of debt due to any bank or financial institution for the provisions of the Recovery of Debts and Bankruptcy Act, 1993 to apply, as revised by the Government notification dated 06-09-2018?
(A) Rs. 10 lakh
(B) Rs. 15 lakh
(C) Rs. 20 lakh
(D) Rs. 25 lakh

Oct/Nov 2010

13. Identify the incorrect statement concerning the resignation of a Presiding Officer or Chairperson.
(A) A Presiding Officer can resign with immediate effect by informing the High Court of the respective state.
(B) A Presiding Officer can resign his office by giving a written notice of three months to the Central Government.
(C) A Chairperson can resign his office by giving a written notice to the Central Government.
(D) They cannot be removed from office except by an order of the Central Government on the ground of proved misbehavior or incapacity after inquiry.

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CHAPTER 18

The Recovery of Debts and Bankruptcy Act, 1993

Oct/Nov 2014

1. Which authority is empowered to appoint the Recovery Officer for each tribunal?
(A) The Presiding Officer of the respective tribunal
(B) The Chairperson of the Appellate Tribunal
(C) The High Court of the respective state
(D) The Central Government

May/June 2023

2. Which of the following statements regarding the recovery of debts under the Recovery of Debts and Bankruptcy Act, 1993 is incorrect?
(A) The Recovery Officer can recover the amount by attachment and sale of the movable and immovable property of the defendants.
(B) The defendant may be arrested and detained in prison as a mode of recovery, subject to certain legal conditions.
(C) The Recovery Officer can adjudicate the correctness of the recovery certificate.
(D) The Recovery Officer can take possession of property over which security interest is created and appoint a receiver to sell the same.

Oct/Nov 2005

3. How is a "Presiding Officer" defined under the Recovery of Debts and Bankruptcy Act, 1993?
(A) The head of the recovery department in a nationalised bank.
(B) An officer appointed by the State Government for implementing recovery orders.
(C) The presiding officer of the Debts Recovery Tribunal appointed under the Act.
(D) The administrative head of an Appellate Tribunal for specific zones.

May/June 2007

4. A defendant appealing to the Appellate Tribunal against an order passed by the Debts Recovery Tribunal must adhere to certain conditions. Which of the following is NOT a condition or consequence associated with such an appeal?
(A) The appeal must generally be filed within thirty days from the date of receiving a copy of the order.
(B) The appellant must deposit 50% of the amount determined by the Tribunal.
(C) The Tribunal has absolute power to waive the deposit without limitation.
(D) The Appellate Tribunal may entertain an appeal filed after thirty days if satisfied about the cause for delay.

Oct/Nov 2025

5. What is the legal consequence if the Recovery Officer issues a notice to a third party holding money on account of the defendant, and the third party pays the amount to the Recovery Officer?
(A) The third party is required to pay the same amount to the defendant as well.
(B) The third party is discharged from liability to the extent of the payment.
(C) The third party becomes a co-defendant in the ongoing tribunal proceedings.
(D) The third party must seek indemnification from the Civil Court.

May/June 2016

6. Regarding the execution of a decree of a foreign court, which of the following is true?
(A) Foreign decrees are entirely void and cannot be executed in India under any circumstances.
(B) Such an application can be entertained by the Debt Recovery Tribunal.
(C) Only the Supreme Court of India can execute a foreign court decree.

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Constitution.

Oct/Nov 2019

21. What is the most accurate implication regarding the arrest of a defendant for recovery of debt?
(A) A defendant can be arrested solely on the ground of poverty and inability to pay.
(B) The Recovery Officer has unrestricted power to detain any defaulting borrower without judicial scrutiny.
(C) Imprisonment for poverty alone is unconstitutional, requiring proof of willful failure.
(D) Arrest and detention are mandatory first steps before attaching any property.

May/June 2009

22. For how long does the chairperson of an appellate tribunal hold office?
(A) A term of three years from the date of entering office or until attaining the age of sixty-five years, whichever is earlier.
(B) A term of five years from the date of entering office or until attaining the age of seventy years, whichever is earlier.
(C) A term of five years from the date of entering office or until attaining the age of sixty-five years, whichever is earlier.
(D) A term of seven years from the date of entering office or until attaining the age of seventy-two years, whichever is earlier.

Oct/Nov 2011

23. What is the effect of a counter-claim filed by a defendant under the Recovery of Debts and Bankruptcy Act, 1993?
(A) It permanently stays the original application filed by the bank.
(B) It mandates the transfer of the case to a regular Civil Court.
(C) It nullifies the bank's claim, requiring the bank to file a fresh application.
(D) It acts as a complaint in a cross-suit for a unified final order.

May/June 2010

24. The Recovery Officer may proceed to recover the amount specified in the certificate by several modes. Which of the following is NOT one of the specified modes of recovery under Section 25?
(A) Attachment and sale of movable and immovable property of the defendants.
(B) Arrest of the defendant and his detention in prison.
(C) Appointment of a receiver for the management of the movable and immovable properties of the defendant.
(D) Permanent forfeiture of the defendant's fundamental constitutional rights.

Oct/Nov 2024

25. Which of the following statements regarding the powers of the Tribunal is incorrect?
(A) The Tribunal has the power to appoint a receiver of any property before or after the grant of the certificate for recovery.
(B) The Tribunal is bound by the procedure laid down by the Civil Procedure Code, 1908.
(C) The Tribunal can pass an interim order restraining the defendant from disposing of assets.
(D) The Tribunal is guided by the principles of natural justice and has powers to regulate its own procedure.

May/June 2017

26. Which of the following entities falls under the definition of a "financial institution" under the Recovery of Debts and Bankruptcy Act, 1993?
(A) Any non-banking financial company incorporated outside India.
(B) A cooperative society lending to members for agricultural purposes.
(C) A private money lender registered under the state money lending act.
(D) A debenture trustee registered with the Board for secured debt securities.

Oct/Nov 2015

27. What is the primary objective of enacting the Recovery of Debts and Bankruptcy Act, 1993?
(A) To establish Tribunals for expeditious recovery of debts due to banks.
(B) To replace the Reserve Bank of India with a new regulatory body.
(C) To criminalise all defaults in the repayment of retail loans.
(D) To transfer all non-performing assets to the Central Government.

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(D) Neither I nor II is correct

Oct/Nov 2007

61. A branch manager at Beta Financial Institution committed fraud and misappropriated Rs. 25 lakh from the institution's funds. Beta Financial attempts to recover this amount by filing an application before the DRT, claiming it as a "debt". Based on judicial interpretations of the Recovery of Debts and Bankruptcy Act, will Beta Financial succeed in DRT?

(A) Yes, because the amount exceeds the Rs. 20 lakh threshold and is owed to a financial institution.

(B) Yes, because misappropriated funds are strictly defined as "debt" under the relevant definition section.

(C) No, because recovery from fraud by an employee is not a "debt" under the Act.

(D) No, because the matter must first be resolved by a specialized criminal court before approaching the DRT for civil recovery.

May/June 2025

62. During recovery proceedings, the Recovery Officer attaches a plot of land believing it belongs to the defendant. However, a third party claims he legally purchased this land and his interests are adversely affected. What remedy is available to the third party under the Recovery of Debts and Bankruptcy Act?

(A) The third party may appeal the order to the Tribunal within thirty days.

(B) The third party must file a civil suit for title declaration; the DRT has no jurisdiction over third parties.

(C) The third party can unilaterally physically remove the attachment notice from his property.

(D) The third party must pay 50% of the defendant's debt before the Tribunal will hear his grievance.

Oct/Nov 2019

63. The following questions consist of two statements: Assertion (A) and Reason (R). Choose the correct option to describe the relationship between them.

Assertion (A): The Recovery Officer can immediately put a defendant in prison solely based on their poverty and consequential inability to pay the debt.

Reason (R): Imprisonment of a debtor who has no means to pay violates the fundamental right to life and personal liberty under Article 21 of the Constitution.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2009

64. Summons are served on a defendant in a DRT proceeding. The defendant fails to file the written statement of defense within the mandatory thirty days. He approaches the Presiding Officer on the 35th day, citing severe medical emergencies with documentary proof, requesting an extension. What is the maximum relief the Presiding Officer can grant?

(A) The Presiding Officer may grant an extension not exceeding fifteen days.

(B) The Presiding Officer has no power to grant any extension beyond thirty days.

(C) The Presiding Officer can grant an indefinite extension based on the severity of the medical emergency.

(D) The Presiding Officer must refer the request to the Chairperson of the Appellate Tribunal.

Oct/Nov 2011

65. The following questions consist of two statements: Assertion (A) and Reason (R). Choose the correct option to describe the relationship between them.

Assertion (A): High Courts and Supreme Courts retain jurisdiction under Articles 226 and 227 of the Constitution over matters decided by the DRT.

Reason (R): The bar of jurisdiction of civil courts under the Act does not apply to the writ and supervisory jurisdictions conferred on constitutional courts.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

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against the order passed by the tribunal.

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-4, S-3
(D) P-2, Q-1, R-3, S-4

May/June 2006

34. Consider the following statements regarding the overriding effect of the Recovery of Debts and Bankruptcy Act:

I. The Act has an overriding effect over anything inconsistent contained in any other law.
II. The provisions are in addition to, and not in derogation of, the State Financial Corporations Act, 1951.
III. The Act overrides the Companies Act, making leave of the company court unnecessary.
IV. Adjudication under the Act is concurrent and shared equally with the Company Court during winding-up proceedings.

Which of the above statements are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, and IV

Oct/Nov 2017

35. Consider the following statements regarding the constitutional validity of the Recovery of Debts and Bankruptcy Act:

I. The Delhi High Court initially decided that the Act was unconstitutional, void, and hit by Article 14 of the Constitution.
II. The Supreme Court upheld the Act, observing that Parliament alone can enact law in regard to banking business.

Which of the above statements is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

May/June 2008

36. Consider the following statements concerning the appeal to the Appellate Tribunal and the required deposit:

I. Any person aggrieved by a DRT order may prefer an appeal to the Appellate Tribunal.
II. No appeal shall lie if the order was made by the Tribunal with the consent of the parties.
III. The appellant is generally required to deposit 50% of the amount determined by the Tribunal.
IV. The Tribunal has the right to reduce or waive such payment to not less than 25% of the amount.
V. The condition of deposit is intended to prevent borrowers from routinely using the appeal remedy to delay recovery.

Which of the above statements are correct?

(A) I, II, III, IV, and V
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2013

37. Arrange the following steps in the correct chronological order as per the procedure for filing an application to the Tribunal:

I. Issue of summons to the defendant with a direction to show cause.
II. Presentation of a written statement of defense by the defendant.
III. Filing of the application by a bank or financial institution.
IV. Tribunal fixing a date of hearing for admission or denial of documents.

(A) III, I, II, IV
(B) I, III, II, IV
(C) III, II, I, IV
(D) III, I, IV, II

May/June 2015

38. Consider the following statements regarding the qualifications for the appointment as the Chairperson of an Appellate Tribunal:

I. The person is, or has been, or is qualified to be a Judge of a High Court.
II. The person has been a member of the Indian legal service and held a post in Grade of that service for at least three years.
III. The person has held office as the presiding officer of a tribunal for at least three years.

Which of the above statement(s) is/are correct?

(A) Only I and II are correct
(B) Only II and III are correct
(C) Only I and III are correct
(D) I, II, and III are correct

Oct/Nov 2012

39. Consider the following statements regarding the defendant's written statement and counterclaim:

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reduce or waive such payment to not less than 25% of the amount determined, for reasons to be recorded in writing.

Which of the above statements is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2014

51. Consider the following statements regarding the application of the Income Tax Act to the recovery process under the Recovery of Debts and Bankruptcy Act:

I. Specific recovery provisions of the Act are linked to certain sections of the Income Tax Act, 1961.
II. The Second and Third Schedules to the Income Tax Act apply with necessary modifications for the recovery of debt.
III. Any amendment made to those provisions in the Income Tax Act automatically becomes applicable to this Act.
IV. The debt due from the defendant is treated on par with Income Tax arrears for recovery purposes.
V. The Recovery Officer must obtain separate permission from the Income Tax Department before adopting these modes.

Which of the above statements are correct?

(A) I, II, III, and IV
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2019

52. Match the circumstances in List I with the Tribunal's consequential actions in List II under Section 19 of the Act.

List I: Circumstances

P. Defendant makes an admission of full or part debt.
Q. Defendant intends to obstruct execution of any order.
R. Defendant breaches interim attachment orders.
S. Requirement to secure ends of justice.

List II: Actions

1. Tribunal may direct defendant to furnish security or pass order for conditional attachment.
2. Tribunal shall order defendant to pay the admitted amount within 30 days.
3. Tribunal may make necessary orders and give directions to prevent abuse of process.
4. Tribunal may order property attachment and detention in civil prison up to three months.

(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-1, S-2
(C) P-3, Q-4, R-2, S-1
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2006

53. Which of the following pairs linking the action to the corresponding rule is INCORRECT?

(A) Appeal against order of Recovery Officer - Must be filed within thirty days to the Tribunal.
(B) Defendant in default - A person who fails to pay the Recovery Officer after receiving a notice.
(C) Amendment of Recovery Certificate - Can be done by the Recovery Officer unilaterally.
(D) Certificate of Recovery issue - Issued by the Presiding Officer to the Recovery Officer.

May/June 2021

54. Consider the following statements regarding the powers of the Tribunal and Appellate Tribunal:

I. Summoning and enforcing the attendance of any person and examining him on oath.
II. Requiring the discovery and production of documents.
III. Receiving evidence on affidavits.
IV. Initiating criminal prosecution for severe financial frauds.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

Oct/Nov 2010

55. Consider the following statements regarding the resignation and removal of the Presiding Officer or Chairperson:

I. They can resign their office by giving a three months written notice to the Central Government.
II. They can be removed by an order of the Central Government on the ground of proved misbehavior or incapacity after inquiry.

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Which of the above statements is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2009

45. Consider the following statements regarding the use of affidavits and cross-examination in Tribunal proceedings:
I. The Tribunal can order that any fact may be proved by affidavit.
II. The Tribunal will allow cross-examination of a witness only if it deems it necessary.
III. If a witness does not appear for cross-examination when ordered, the affidavit shall not be taken as evidence.
IV. The court has held that it is mandatory for the tribunal to always require the production of a witness for cross-examination.
V. The Tribunal may decide matters on the basis of documents and affidavits.
Which of the above statements are correct?
(A) I, II, III, and V
(B) I, II, III, and IV
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2023

46. Arrange the following steps in the correct chronological order as per the procedure for the stay of recovery proceedings under Section 26:
I. The Recovery Officer stays the proceedings until the expiry of the time granted.
II. The Presiding Officer grants time for payment of the amount by an order.
III. The defendant agrees to pay the amount specified in the Recovery Certificate.
IV. The defendant agrees not to file an appeal against the orders of the Tribunal.
(A) III, IV, II, I
(B) III, II, I, IV
(C) I, II, IV, III
(D) II, III, I, IV

Oct/Nov 2018

47. Consider the following statements regarding the stay of proceedings under a Recovery Certificate:
I. The Presiding Officer may grant time for payment if the defendant makes a down payment of not less than 25% of the amount specified in the certificate.
II. The Recovery Officer shall stay proceedings upon receipt of such an order.
III. If the defendant defaults in payment, the stay stands withdrawn and recovery steps resume.
IV. The defendant retains the right to file an appeal against the orders of the Tribunal even after agreeing to pay and proceedings being stayed.
Which of the above statements are correct?
(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

May/June 2007

48. Which of the following pairs correctly matches the Authority with its maximum age limit for holding office?
(A) Chairperson of Appellate Tribunal - Sixty-five years
(B) Presiding Officer - Sixty-five years
(C) Presiding Officer - Seventy years
(D) Recovery Officer - Sixty years

Oct/Nov 2025

49. Consider the following statements regarding the additional modes of recovery granted to the Recovery Officer:
I. The Recovery Officer can require any person from whom money is due to the defendant to pay it directly to the Recovery Officer.
II. A notice issued to a bank for payment overrides any practice requiring the production of a passbook or deposit receipt.
III. If the person holding money for the defendant makes a false objection on oath, they are immune from any personal liability.
Which of the above statements are correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2012

50. Consider the following statements regarding the deposit of amount for filing an appeal to the Appellate Tribunal:
I. The defendant is strictly required to deposit 100% of the amount determined by the Tribunal before filing an appeal.
II. The Appellate Tribunal has the right to

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I. The written statement must be presented within thirty days from the date of service of summons.
II. In exceptional cases, the Presiding Officer may extend the period by a further period not exceeding fifteen days.
III. A counterclaim has the same effect as a complaint in a cross-suit.
IV. The defendant is strictly prohibited from claiming any_set-off against the applicant's demand.

Which of the above statements are correct?
(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

May/June 2011

40. Which of the following correctly pairs the proceeding before the Tribunal with its equivalent status under the Code of Criminal Procedure, 1973?
(A) Proceeding before Tribunal - Administrative inquiry
(B) Proceeding before Tribunal - Police investigation
(C) Proceeding before Tribunal - Conciliation proceeding
(D) Proceeding before Tribunal - Judicial proceeding

Oct/Nov 2020

41. Consider the following assertions regarding the relationship between the Recovery of Debts and Bankruptcy Act and the Companies Act:
I. Adjudication under the Recovery of Debts and Bankruptcy Act is exclusive, and jurisdiction of Civil Court and Company Court is ousted.
II. DRT proceedings cannot be stayed by Company Court.
III. This Act overrides the Companies Act.
IV. Leave of Company Court under the Companies Act is strictly necessary to proceed in DRT.
V. Distribution of realised moneys is subject to specific priority provisions of the Companies Act when winding up proceedings are pending.

Which of the above statement(s) is/are correct?
(A) I, II, III, and V
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

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May/June 2022

42. Match the Section references in List I with the corresponding provisions in List II.
List I: Section References
P. Section 17
Q. Section 19
R. Section 25
S. Section 34
List II: Provisions
1. Overriding effect of the Act.
2. Modes of recovery of debts.
3. Jurisdiction, powers and authority of Tribunals.
4. Application to the Tribunal.
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-2, S-1
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2023

43. Consider the following statements about the powers of the Chairperson of the Appellate Tribunal:
I. The Chairperson can direct Tribunals to furnish information relating to pending and disposed cases.
II. The Chairperson can convene periodic meetings of Presiding Officers to review their performance.
III. The Chairperson can directly dismiss a Presiding Officer without submitting a report to the Central Government.

Which of the above statements are correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2016

44. Consider the following statements regarding the applicability of the Recovery of Debts and Bankruptcy Act to Co-operative Banks:
I. The Supreme Court decided that the DRT mechanism is inherently applicable to all local co-operative banks due to their separate recovery mechanisms.
II. By an amendment in 2013, the applicability of the Act was extended to Multi-State Co-operative Banks.

III. They can be removed by a simple majority vote in the State Legislature.

Which of the above statements are correct?

(A) I and II
(B) II and III
(C) I and III
(D) I, II, and III

May/June 2005

56. Match the Authorities in List I with their respective functions/powers in List II.

List I: Authorities

P. Central Government
Q. Chairperson of Appellate Tribunal
R. Presiding Officer
S. Recovery Officer

List II: Functions/Powers

1. General power of superintendence and control over the Tribunals.
2. Issuing a certificate of recovery under his signature.
3. Establishing one or more tribunals and specifying their jurisdiction.
4. Proceeding to recover the amount specified in the certificate.

(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-3, R-4, S-2
(C) P-2, Q-4, R-1, S-3
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2022

57. Consider the following statements about the Tribunal's power to issue interim orders and attach properties:

I. The Tribunal can direct the defendant to furnish security if they are about to dispose of property to frustrate execution.
II. If the defendant fails to furnish security, the Tribunal may pass an order for attachment of the property.
III. An attachment order passed without satisfying the required points by affidavit or otherwise is void.
IV. In case of a breach of an interim order, the Tribunal can order the person to be detained in civil prison for up to three months.
V. The Tribunal has no authority to appoint a receiver for any property before the grant of the certificate for recovery.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2018

58. Which of the following pairs concerning the composition of the Tribunals is INCORRECT?

(A) Debt Recovery Tribunal - Consists of a three-person multi-member bench.
(B) Debt Recovery Tribunal - Consists of only one person called Presiding Officer.
(C) Appellate Tribunal - Consists of only one person called Chairperson.
(D) Debt Recovery Tribunal - Empowered to have one or more recovery officers provided by the Central Government.

Oct/Nov 2016

59. Consider the following statements regarding the withdrawal of an application by a Multi-State Co-operative Bank:

I. The bank may opt to initiate proceedings under the Multi-State Co-operative Societies Act, 2002 instead of proceeding under the Recovery of Debts and Bankruptcy Act, 1993.
II. Withdrawal requires the permission of the Debts Recovery Tribunal.
III. An application for withdrawal must be dealt with as expeditiously as possible and disposed of within thirty days.
IV. If the Tribunal refuses to grant permission for withdrawal, it need not record the reasons for such refusal.

Which of the above statements are correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

May/June 2014

60. Consider the following statements regarding the transfer of cases from Civil Courts:

I. When a civil suit already filed is transferred to the Tribunal due to statutory changes, no fresh court fee is required to be paid.
II. The execution of a decree is not considered a proceeding before the Civil Court, and hence cannot be transferred to the DRT.

Which of the above statements is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct

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May/June 2020

28. How is the jurisdiction of the Civil Courts affected by the establishment of the Tribunal on the appointed day?

(A) Civil Courts lose jurisdiction for cases where the due amount recoverable by banks is Rs. 20 lakh and above.

(B) Civil Courts share concurrent jurisdiction with the Tribunal for claims above Rs. 20 lakh.

(C) Civil Courts retain jurisdiction only over unsecured loans, transferring secured loans to the Tribunal.

(D) Civil Courts function as appellate authorities over the Tribunal's decisions.

Oct/Nov 2005

29. Which of the following is NOT considered a "debt" under the provisions of the Recovery of Debts and Bankruptcy Act, 1993, based on judicial interpretations?

(A) Payment made by a bank by mistake.

(B) Money overdrawn from a bank account without any overdraft facility.

(C) Funds recoverable from an employee due to fraud or misappropriation.

(D) A liability subsisting from respondents that arose during the course of their business activity.

May/June 2013

30. Identify the correct statement concerning the finality of orders constituting a tribunal or an appellate tribunal.

(A) Any defect in the constitution of a tribunal can be used to question a proceeding before it in a civil court.

(B) The order of the Central Government appointing a presiding officer can be called in question only by the Supreme Court.

(C) The appointment of a chairperson can be challenged by a borrower before a High Court under its ordinary civil jurisdiction.

(D) No act before the tribunal can be questioned due to defects in its constitution.

Oct/Nov 2021

31. Match the prescribed time limits in List I with the corresponding activities in List II.

List I: Time Limits

P. 30 days

Q. 180 days

R. 3 years

S. 45 days

List II: Activities

1. Target period to finally dispose of an application from date of receipt.
2. Period for filing a written statement of defense after service of summons.
3. Maximum period allowed to file a written statement, including the extension permitted by the Presiding Officer.
4. General limitation period to file the recovery application from the cause of action.

(A) P-1, Q-2, R-3, S-4

(B) P-3, Q-4, R-1, S-2

(C) P-2, Q-1, R-4, S-3

(D) P-4, Q-3, R-2, S-1

May/June 2024

32. Consider the following statements regarding the summons issued by the Tribunal:

I. To show cause within thirty days of service of summons as to why the relief prayed for should not be granted.

II. To direct the defendant to disclose particulars of properties or assets other than those specified by the applicant.

III. To restrain the defendant from dealing with or disposing of such assets and properties pending the hearing.

Which of the above statement(s) is/are correct?

(A) I and II only

(B) II and III only

(C) I and III only

(D) I, II, and III

Oct/Nov 2008

33. Match the terms in List I with their corresponding definitions in List II as per the Recovery of Debts and Bankruptcy Act, 1993.

List I: Terms

P. Appellate Tribunal

Q. Bank

R. Appointed day

S. Application

List II: Definitions

1. An application made to a tribunal for recovery of the debt under section 19.
2. The date on which a tribunal or an appellate tribunal is established.
3. A banking company, a corresponding new bank, SBI, or a Regional Rural Bank.
4. A body established for preferring an appeal

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(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

66. An aggrieved borrower wishes to appeal an order passed by the DRT on 1st January. Due to administrative delays on his part, he files the appeal with the Appellate Tribunal on 10th February. Under what condition, if any, can the Appellate Tribunal entertain this delayed appeal?
(A) The Appellate Tribunal has no power to entertain appeals filed after thirty days under any circumstances.
(B) The appeal may be entertained if satisfied about the cause for delay.
(C) The appeal can be entertained only if the borrower deposits 100% of the debt amount upfront.
(D) The delayed appeal must be transferred to the Supreme Court for condonation of delay.

Oct/Nov 2024

67. Gamma Bank, an Indian financial institution, obtained a decree for recovery of Rs. 30 lakh against a borrower from a competent foreign court. The borrower has assets in India. Gamma Bank approaches the DRT in India for the execution of this foreign decree. Is the DRT legally competent to entertain this application?
(A) No, foreign decrees can only be executed by the Supreme Court of India.
(B) No, the DRT's jurisdiction is strictly limited to decrees passed by Indian Civil Courts.
(C) Yes, an application for execution of a foreign court decree can be entertained by the DRT.
(D) Yes, but only if the borrower consents to the jurisdiction of the DRT in writing.

May/June 2017

68. The following questions consist of two statements: Assertion (A) and Reason (R). Choose the correct option to describe the relationship between them.
Assertion (A): Execution proceedings pending before a Civil Court stand transferred to the DRT upon the Act coming into operation.
Reason (R): It has been held that execution is a proceeding before the Civil Court, and hence it falls under the transfer provisions of the Act.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2015

69. A Recovery Certificate specifies that the defendant owes Rs. 75 lakh to the bank. The Recovery Officer initiates attachment proceedings. The defendant files an objection directly with the Recovery Officer, arguing that a calculation error means he actually only owes Rs. 65 lakh. Can the Recovery Officer adjudicate this dispute?
(A) Yes, the Recovery Officer is fully empowered to correct arithmetic errors in the recovery certificate.
(B) Yes, the Recovery Officer can halt proceedings and conduct a fresh hearing on the amount due.
(C) No, but the Recovery Officer can refer the matter to an independent auditor.
(D) No, the defendant cannot dispute the amount before the Recovery Officer.

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May/June 2020

70. During DRT proceedings, the defendant files a written statement admitting that out of the Rs. 50 lakh claimed by the bank, Rs. 20 lakh is indeed due and payable, but disputes the remaining amount. What immediate action can the Tribunal take regarding the admitted amount?
(A) The Tribunal must wait until the final disposal of the entire Rs. 50 lakh claim before issuing any payment order.
(B) The Tribunal will transfer the admitted amount to a Civil Court for immediate execution.
(C) The Tribunal shall order payment of the admitted amount within thirty days.
(D) The Tribunal must dismiss the disputed portion of the claim automatically.

Oct/Nov 2021

71. The following questions consist of two statements: Assertion (A) and Reason (R). Choose the correct option to describe the relationship between them.
Assertion (A): Money overdrawn from a

bank account without any overdraft facility is considered a debt recoverable under the Recovery of Debts and Bankruptcy Act.
Reason (R): A payment made by a bank by mistake is not considered a debt under the Act and must be recovered through civil courts.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2013

72. The Presiding Officer of a Debts Recovery Tribunal unexpectedly passes away, creating a vacancy that is not of a temporary nature. A major recovery proceeding involving Rs. 50 crore is currently halfway through hearings. How should this situation be handled as per the Act?
(A) The proceedings must be entirely restarted from the beginning once a new Presiding Officer is appointed.
(B) The case must automatically be transferred to the nearest Civil Court to avoid delays.
(C) The Chairperson of the Appellate Tribunal must personally adjudicate the remainder of the case.
(D) The Government fills the vacancy and the case continues from the previous stage.

Oct/Nov 2008

73. A corporate borrower is undergoing winding-up proceedings in a Company Court. Simultaneously, a bank files a recovery application against the corporate borrower in the DRT. The borrower contends that the DRT cannot proceed without the leave of the Company Court. How is this addressed under the Recovery of Debts and Bankruptcy Act?
(A) The DRT proceedings must be stayed until the Company Court grants permission.
(B) DRT overrides the Companies Act, so leave of the court is unnecessary.
(C) The recovery application must be transferred to the Company Court for a consolidated hearing.
(D) The DRT must dismiss the bank's application and direct the bank to join the queue of unsecured creditors in the Company Court.

May/June 2024

74. A bank submits an application with an affidavit to the DRT, demonstrating that the defendant is actively attempting to sell his factory machinery and move it outside the local limits of the Tribunal's jurisdiction to frustrate the recovery of the debt. What specific relief can the Tribunal grant in this scenario?
(A) The Tribunal can immediately sentence the defendant to criminal imprisonment for six months.
(B) The Tribunal can unilaterally seize the machinery and auction it the next day without giving the defendant a chance to respond.
(C) The Tribunal must ask the bank to file a fresh civil suit for an injunction.
(D) The Tribunal may order security or attachment of the property if cause is not shown.

Oct/Nov 2023

75. Alpha Bank has an outstanding unrecovered loan of Rs. 18 lakh from a defaulting partnership firm. The bank wishes to approach the Debts Recovery Tribunal (DRT) to expedite the recovery process. Based on the provisions of the Act, what is the most appropriate course of action for Alpha Bank?
(A) The bank cannot file an application in DRT because the 2018 notification raised the pecuniary limit to Rs. 20 lakh.
(B) The bank can file an application in DRT because the Act applies to any amount above Rs. 10 lakh as per the original 1993 statute.
(C) The bank can file the application in DRT only if it obtains prior permission from the High Court through a formal written request.
(D) The bank can file the application in DRT as partnership firms are exempt from pecuniary limits under the updated regulatory guidelines.

May/June 2022

76. Delta Multi-State Co-operative Bank filed an application before the DRT for recovering Rs. 40 lakh. During the proceedings, the bank decides it would rather pursue action under the

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SARFAESI Act, 2002. What procedure must the bank follow to withdraw its application from the DRT?

(A) The bank can unilaterally withdraw the application by simply sending a letter to the DRT registry.
(B) The bank cannot withdraw the application once filed; it must await the final order of the DRT.
(C) The bank must pay a penalty of 10% of the claim amount to the Tribunal to withdraw the case.
(D) The bank must seek permission from the DRT, which must be decided within 30 days.

Oct/Nov 2017

77. The Recovery Officer issues a written notice to an insurance company, ordering it to pay the maturity amount of a defendant's life insurance policy directly to the Recovery Officer instead of the defendant. The insurance company refuses, stating their internal rules require the physical surrender of the original policy document. Is the refusal legally justified under the Act?

(A) Yes, internal rules of financial institutions override the Act.
(B) Yes, the Recovery Officer must obtain a specific order from a Civil Court to override the insurance company's rules.
(C) No, as the Act stipulates it is unnecessary to produce any policy document.
(D) No, but the insurance company can deduct a 20% penalty before remitting the amount.

May/June 2008

78. The following questions consist of two statements: Assertion (A) and Reason (R). Choose the correct option to describe the relationship between them.

Assertion (A): A defendant filing an appeal before the Appellate Tribunal is generally required to deposit 50% of the amount determined by the Tribunal.

Reason (R): The condition is designed to ensure a fast track remedy and prevent borrowers from routinely using the appeal process to delay actual recovery.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2013

79. A borrower discovers that the Presiding Officer of the DRT handling his case has a severe conflict of interest. The borrower submits an application to the Chairperson of the Appellate Tribunal requesting a transfer of the case to another DRT within the same jurisdiction. Under what procedural conditions can the Chairperson execute this transfer?

(A) The Chairperson can transfer the case immediately without notifying the bank.
(B) The Chairperson must notify and hear the parties before ordering a transfer.
(C) The Chairperson must obtain consent from the Central Government before transferring any case.
(D) The Chairperson cannot transfer cases; the borrower must file a writ petition in the High Court.

May/June 2015

80. A bank files a recovery application against a defendant. The defendant submits a defense and simultaneously files a counter-claim for damages against the bank, related to a cause of action that accrued after the bank filed the application but before the defendant submitted his defense. Is this counter-claim permissible in DRT?

(A) Yes, if the cause accrued before the defendant submitted his defense.
(B) No, counter-claims can only be based on causes of action that existed before the bank filed the original application.
(C) No, DRT cannot entertain counter-claims for damages under any circumstances; they must be filed in Civil Courts.
(D) Yes, provided the counter-claim does not exceed 10% of the bank's original claim.

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Central Government. Their removal is strictly regulated and can only occur through an order from the Central Government after an inquiry proves misbehavior or incapacity. The state legislature has no role or authority in the removal of these federally appointed officers within the specialized debt recovery system.

56. (A) P-3, Q-1, R-2, S-4
The roles are clearly divided among different authorities. The Central Government establishes the tribunals and defines their jurisdiction. The Chairperson of the Appellate Tribunal provides general superintendence. The Presiding Officer issues and signs the recovery certificate after adjudicating the claim. Finally, the Recovery Officer is responsible for executing that certificate through the various modes of recovery permitted under the Act.

57. (A) I, II, III, and IV
The Tribunal has broad powers to issue interim orders, including directing security or attaching property if a defendant attempts to frustrate recovery. Unauthorized attachment orders are considered void. If an order is breached, the Tribunal can order detention in civil prison. However, the Tribunal does have the authority to appoint a receiver even before the final recovery certificate is issued.

58. (A) Debt Recovery Tribunal - Consists of a three-person multi-member bench.
The Debts Recovery Tribunal is not a multi-member bench; it consists of only one person, known as the Presiding Officer. This single-member structure is designed to facilitate faster decision-making in financial disputes. The Central Government also provides one or more Recovery Officers to assist the tribunal. Similarly, the Appellate Tribunal is led by a single person referred to as the Chairperson.

59. (A) I, II, and III
Multi-State Co-operative Banks can withdraw their applications from the Tribunal to pursue other recovery mechanisms. This requires permission from the Tribunal, which must decide on the request within thirty days. If the Tribunal decides to refuse permission, it is legally obligated to record the reasons for such a refusal in writing, ensuring transparency and accountability in its administrative legal decisions.

60. (A) Only I is correct
When a pending suit is transferred from a civil court to the Tribunal, the bank is not required to pay a fresh court fee. Regarding execution proceedings, they are indeed considered proceedings before the Civil Court and are subject to transfer provisions. Therefore, execution of decrees pending in civil courts should be transferred to the Tribunal once it is established and active.

61. (C) No, because recovery from fraud by an employee is not a "debt" under the Act.
While the amount in question exceeds the pecuniary threshold, the nature of the claim is not considered a debt under the Act. Judicial decisions have established that funds misappropriated by an employee through fraud do not constitute a liability arising in the course of banking business. Such matters must be pursued through regular civil litigation or criminal proceedings rather than the DRT.

62. (A) The third party may appeal the order to the Tribunal within thirty days.
A third party whose interests are adversely affected by an order of the Recovery Officer has a specific legal remedy. They can file an appeal against that order to the Tribunal within thirty days. This provides a direct mechanism within the specialized system to address grievances, without the immediate need for a separate and potentially slower civil suit for title declaration.

63. (D) Assertion (A) is false, but Reason (R) is true.
The assertion is false because a Recovery Officer cannot imprison a defendant solely due to poverty. However, the reason is true, as the Supreme Court has ruled that detaining a debtor who genuinely lacks the means to pay violates the fundamental right to life and liberty. Arrest is only justified if the failure to pay is willful or obstructive.

64. (A) The Presiding Officer may grant an extension not exceeding fifteen days.
The Act mandates that the written statement of defense be filed within thirty days. In exceptional circumstances, the Presiding Officer has the

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9. (B) Has served as the Chairman of a nationalised bank for at least five years.
To be appointed as the Chairperson of an Appellate Tribunal, a person must meet specific legal qualifications. These include having served as a High Court Judge, being a member of the Indian Legal Service, or having served as a Presiding Officer for three years. Holding an executive position like the Chairman of a nationalised bank is not a qualification.

10. (C) Because Parliament can enact laws for banking business and debt recovery.
The Supreme Court upheld the constitutional validity of the Act by affirming that Parliament possesses the legislative competence to create specialized laws for banking and debt recovery. This authority is derived from the Union List. The establishment of tribunals was deemed necessary to ensure the speedy recovery of public money and to maintain the stability of the banking system.

11. (D) The tribunal is not required to produce a witness for cross-examination by default.
The Debts Recovery Tribunal has the authority to receive evidence through affidavits. It is not mandatory for the Tribunal to produce a witness for cross-examination unless it is deemed necessary for fair adjudication. This procedural flexibility is intended to expedite the recovery process while adhering to the principles of natural justice and maintaining efficient and fast legal proceedings.

12. (C) Rs. 20 lakh
Under the original Act, the threshold for filing an application was ten lakh rupees. However, a government notification issued in September 2018 revised this minimum amount. Currently, the provisions of the Recovery of Debts and Bankruptcy Act apply only when the debt due to a bank or financial institution is twenty lakh rupees or more for the tribunal.

13. (A) A Presiding Officer can resign with immediate effect by informing the High Court of the respective state.
A Presiding Officer cannot resign with immediate effect by informing a High Court. The Act requires a formal written notice of three months to be submitted to the Central Government. The officer must continue to hold office until the resignation is accepted, the three-month period expires, or a successor is appointed. This process ensures administrative continuity within the tribunal.

14. (C) A person is qualified if he is, or has been, or is qualified to be appointed as a District Judge.
A person is eligible for appointment as a Presiding Officer of a Debts Recovery Tribunal if they are, have been, or are qualified to be a District Judge. This requirement ensures that the individual possesses the necessary judicial experience and legal knowledge to adjudicate complex financial recovery cases. The appointment is made by the Central Government for a specific term.

15. (D) Where the branch is located, the defendant resides, or cause arises.
The territorial jurisdiction for filing a recovery application is determined by several factors. An application can be filed where the bank branch is located, where the defendant resides or carries on business, or where the cause of action arises. This multi-faceted approach provides banks with flexibility in choosing the appropriate tribunal to initiate legal proceedings for recovering outstanding debts.

16. (A) A body established for the purpose of preferring an appeal against the order passed by the tribunal.
An Appellate Tribunal is a specialized body established by the Central Government to hear and decide appeals against orders passed by a Debts Recovery Tribunal. Its primary purpose is to provide a higher judicial forum for aggrieved parties. This tribunal is headed by a Chairperson and ensures that the legal decisions made at the lower level are reviewed.

17. (A) Production of any passbook or deposit receipt before making payment.
When the Recovery Officer issues a notice to a bank or financial institution to remit funds held for a defendant, certain standard banking requirements are waived. Specifically, the bank does not need the original passbook or deposit receipt to make the payment. The statutory notice itself serves as sufficient authority for the bank to discharge funds to the officer.

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ANSWERS

1. (D) The Central Government
The Recovery of Debts and Bankruptcy Act, 1993, mandates that the Central Government provides each tribunal with one or more Recovery Officers. These officers are responsible for executing the recovery certificates issued by the Presiding Officer. This administrative power ensures that specialized personnel are available to facilitate the legal collection of debts owed to banks and financial institutions.

2. (C) The Recovery Officer can adjudicate the correctness of the recovery certificate.
Under the legal framework, a Recovery Officer cannot adjudicate or question the correctness of a recovery certificate. The officer's role is strictly limited to executing the orders as specified in the certificate. While they possess powers like property attachment or arrest, the actual determination of the debt's validity remains the exclusive jurisdiction of the specialized Tribunal's Presiding Officer.

3. (C) The presiding officer of the Debts Recovery Tribunal appointed under the Act.
According to the specific definitions provided within the Act, a Presiding Officer refers to the individual appointed to lead a Debts Recovery Tribunal. This role is distinct from administrative heads or bank officials. The appointment is made by the Central Government, and the person must meet specific judicial qualifications, such as being eligible for a District Judge position.

4. (C) The Tribunal has absolute power to waive the deposit without limitation.
When appealing to the Appellate Tribunal, defendants must generally deposit fifty percent of the debt amount determined by the lower tribunal. While the Appellate Tribunal has the authority to reduce this deposit requirement for recorded reasons, it cannot waive the deposit entirely. The law explicitly states that the reduced amount cannot be less than twenty-five percent of the debt.

5. (B) The third party is discharged from liability to the extent of the payment.
If a third party holding money for a defendant pays that amount to the Recovery Officer following a formal notice, they receive a valid discharge of their liability. The law ensures that this payment is treated as if it were made directly to the defendant. Consequently, the third party is legally protected against further claims from the original defendant.

6. (B) Such an application can be entertained by the Debt Recovery Tribunal.
The Debts Recovery Tribunal is legally competent to entertain applications for the execution of decrees passed by foreign courts. This jurisdiction allows banks to recover debts based on international judgments within the Indian legal system. Such provisions facilitate the recovery process when borrowers or their assets are located in India, provided the foreign decree meets specific legal recognition requirements.

7. (B) Any legally recoverable liability claimed as due by a bank in its business.
The Act defines debt broadly to include any liability claimed as due by a bank or financial institution during its business activities. This includes principal, interest, and other charges, whether secured or unsecured. For the Act to apply, the liability must be legally recoverable and meet the specified pecuniary threshold. This definition excludes amounts arising from employee fraud.

8. (B) The application for recovery must normally be filed by the bank within three years from the cause of action.
The provisions of the Limitation Act, 1963, are applicable to recovery applications filed before the Tribunal. Generally, a bank must file its claim within three years from the date the cause of action arises. If the application is filed beyond this period without a valid reason for condonation, the Tribunal may dismiss the claim as being time-barred.

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27. (A) To establish Tribunals for expeditious recovery of debts due to banks.
The main objective of enacting the Recovery of Debts and Bankruptcy Act was to create specialized Tribunals for the speedy adjudication and recovery of debts owed to banks and financial institutions. Prior to this Act, civil court delays significantly hindered recovery. The establishment of these Tribunals was intended to streamline the process and improve the health of banks.

28. (A) Civil Courts lose jurisdiction for cases where the due amount recoverable by banks is Rs. 20 lakh and above.
Upon the establishment of a Tribunal, Civil Courts lose their jurisdiction to entertain any suit or proceeding where the debt amount is twenty lakh rupees or more. Such cases must be handled exclusively by the Tribunal. This statutory transfer ensures that large-scale financial recovery matters are managed by specialized bodies rather than being subjected to lengthy civil court processes.

29. (C) Funds recoverable from an employee due to fraud or misappropriation.
Judicial interpretations have clarified that the term debt under the Act does not encompass money recoverable from an employee due to fraud or misappropriation. Such claims are considered to be arising from criminal acts or breaches of trust rather than banking business. Therefore, these specific types of liabilities must be pursued through regular civil or criminal courts instead.

30. (D) No act before the tribunal can be questioned due to defects in its constitution.
The Act contains a provision ensuring that the proceedings of a Tribunal or Appellate Tribunal cannot be challenged or questioned solely on the grounds of any defect in its constitution. This rule protects the validity of the legal actions and orders taken by these bodies, preventing parties from using technical or administrative flaws to delay the recovery.

31. (C) P-2, Q-1, R-4, S-3
The Act prescribes specific timelines for various activities. A defendant must file a written statement within thirty days. The Tribunal aims to dispose of applications within one hundred and eighty days. The general limitation for filing a recovery claim is three years. If an extension is granted for the written statement, the total time allowed is forty-five days.

32. (D) I, II, and III
When the Tribunal issues a summons, it serves multiple purposes. It requires the defendant to show cause within thirty days, directs the disclosure of all assets and properties, and restrains the defendant from disposing of those assets pending the hearing. These measures are designed to preserve the status quo and ensure that assets remain available for eventual recovery if needed.

33. (B) P-4, Q-3, R-2, S-1
The Act provides precise definitions for its core terms. An Appellate Tribunal is the body established for preferring appeals. A bank includes nationalized, SBI, and regional rural banks. The appointed day is when a Tribunal is officially established. Finally, an application is the formal request made to a Tribunal under section nineteen for the recovery of a specific debt.

34. (A) I, II, and III
The Act has an overriding effect on inconsistent laws and specifically makes the leave of a company court unnecessary for recovery proceedings. However, it operates in addition to the State Financial Corporations Act rather than replacing it. It does not share equal or concurrent jurisdiction with the Company Court, as the Tribunal's jurisdiction over debt recovery is specialized.

35. (C) Both I and II are correct
The constitutional journey of the Act involved initial legal challenges. The Delhi High Court first declared the Act unconstitutional, citing concerns over Article 14. Subsequently, the Supreme Court reversed this, upholding the law. The apex court noted that Parliament has the exclusive power to legislate on banking matters, and the specialized tribunal system was a valid legislative exercise.

36. (A) I, II, III, IV, and V
The appeal process includes several mandatory conditions. Aggrieved parties can appeal, except

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when the original order was made by consent. A fifty percent deposit of the determined amount is generally required, though the Tribunal can reduce this to twenty-five percent. This financial requirement is a strategic measure to prevent borrowers from misusing the appeal process to delay the recovery.

37. (A) III, I, II, IV
The formal recovery process begins with the bank filing an application. Following this, the Tribunal issues summons to the defendant. The defendant then presents a written statement of defense within the stipulated time. Finally, the Tribunal fixes a date for the hearing, which includes the admission or denial of documents. This sequence ensures a structured approach to adjudicating claims.

38. (D) I, II, and III are correct
Qualifications for the Chairperson role are diverse to ensure judicial competence. Eligible candidates include those who have been or are qualified to be High Court Judges. Additionally, serving as a Presiding Officer for three years or holding a high-grade post in the Indian Legal Service for the same duration makes one eligible. These criteria ensure that the authority is experienced.

39. (A) I, II, and III
Defendants must file their written statement within thirty days, with a possible fifteen-day extension for exceptional reasons. A counterclaim filed by the defendant is treated as a cross-suit, allowing for a comprehensive resolution. While they can claim set-offs, they must follow the prescribed procedure. These rules balance the need for speed with the defendant's right to a defense.

40. (D) Proceeding before Tribunal - Judicial proceeding
For the purposes of legal status, proceedings before the Tribunal and the Appellate Tribunal are considered judicial proceedings. This classification is significant as it brings these proceedings under the purview of specific sections of the Indian Penal Code. It ensures that the Tribunal has the authority to maintain order, handle evidence formally, and that statements carry legal weight.

41. (A) I, II, III, and V
The Recovery of Debts and Bankruptcy Act generally overrides the Companies Act regarding debt adjudication, meaning the leave of a Company Court is not required. However, when a company is in winding up, the distribution of realized money must respect the priorities set by the Companies Act. This ensures a balance between recovery rights and the interests of creditors.

42. (C) P-3, Q-4, R-2, S-1
The Act's structure maps specific sections to key functions. Section 17 defines the jurisdiction and authority of the Tribunals. Section 19 details the process for filing an application. Section 25 outlines the various modes available for recovering debts. Finally, Section 34 establishes the overriding effect of the Act over other inconsistent laws, ensuring its provisions take precedence in recovery.

43. (A) I and II
The Chairperson has significant administrative powers, including the right to demand information on pending cases from Tribunals and to hold meetings with Presiding Officers to review their performance. However, the Chairperson does not have the unilateral power to dismiss a Presiding Officer. Such removal can only be done by the Central Government following a formal inquiry into proved misbehavior.

44. (B) Only II is correct
Initially, there was ambiguity regarding the application of the Act to co-operative banks. A 2013 amendment clarified this by explicitly extending the Act's provisions to Multi-State Co-operative Banks. While the Supreme Court later confirmed that co-operative banks are generally covered under banking laws, the specific statutory inclusion through the 2013 amendment was a key milestone for Multi-State banks.

45. (A) I, II, III, and V
The Tribunal has the discretion to allow facts to be proved by affidavit and may permit cross-examination only if it considers it necessary. If a witness fails to appear for an ordered cross-examination, their affidavit is excluded from evidence. The Tribunal is not mandated to allow cross-examination in every case, reflecting its

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goal of maintaining a streamlined and efficient process.

46. (A) III, IV, II, I
To obtain a stay of recovery proceedings, a defendant must first agree to pay the specified amount and waive the right to appeal. Once these conditions are met, the Presiding Officer issues an order granting time for payment. Finally, the Recovery Officer stays the proceedings until the granted time expires. This sequence facilitates a consensual settlement while ensuring debt recovery remains active.

47. (A) I, II, and III
A stay of proceedings requires the defendant to make a minimum down payment of twenty-five percent. Upon receiving the order, the Recovery Officer must halt recovery actions. However, if the defendant fails to make the agreed payments, the stay is automatically withdrawn. Crucially, the defendant must agree not to appeal as a condition for receiving this temporary recovery relief.

48. (B) Presiding Officer - Sixty-five years
The Act specifies different age limits for various positions to ensure efficient administration. A Presiding Officer can hold office until they reach the age of sixty-five years. In contrast, the Chairperson of an Appellate Tribunal has a higher age limit of seventy years. These limits, along with fixed terms, help maintain a balance between experience and renewal within the debt recovery tribunals.

49. (A) I and II
The Recovery Officer has the power to garnish funds from third parties who owe money to the defendant. This includes issuing notices to banks, which must comply regardless of internal rules about passbook production. If a third party provides a false objection under oath, they are not immune and can be held personally liable for the amount specified in the recovery notice.

50. (B) Only II is correct
The requirement for filing an appeal is not a hundred percent deposit; the law generally stipulates a fifty percent deposit. However, the Appellate Tribunal possesses the discretion to reduce this amount. For reasons recorded in writing, the tribunal can lower the deposit requirement, but it must not fall below twenty-five percent of the debt amount determined by the lower tribunal.

51. (A) I, II, III, and IV
The recovery process under the Act utilizes mechanisms from the Income Tax Act, 1961. Specifically, the Second and Third Schedules apply with modifications, treating debt arrears similarly to tax arrears. Any changes to these tax provisions automatically apply to debt recovery. The Recovery Officer does not need separate permission from the Income Tax Department to use these established recovery modes.

52. (D) P-2, Q-1, R-4, S-3
Different scenarios lead to specific Tribunal actions. If a debt is admitted, payment is ordered within thirty days. If there is a risk of obstruction, security or conditional attachment is required. Breaching an interim order can result in property attachment or civil prison. Finally, the Tribunal holds inherent powers to pass necessary orders to ensure justice and prevent process abuse.

53. (C) Amendment of Recovery Certificate - Can be done by the Recovery Officer unilaterally.
A Recovery Officer does not have the legal authority to unilaterally amend a recovery certificate. The certificate is issued by the Presiding Officer and reflects the judicial determination of the debt. Any corrections or amendments must be made by the Presiding Officer. The Recovery Officer's function is purely executive, focusing on carrying out the orders as specified in the certificate.

54. (A) I, II, and III
The Tribunal is vested with several judicial powers, including summoning witnesses, enforcing attendance, and requiring the production of documents. It can also receive evidence through affidavits to expedite proceedings. However, the Act does not grant the Tribunal the power to initiate criminal prosecutions for fraud; such matters fall under the jurisdiction of the regular criminal justice system in India.

55. (A) I and II
Presiding Officers and Chairpersons can resign by providing three months written notice to the

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18. (B) 30 days
After receiving a summons from the Tribunal, a defendant is legally required to submit a written statement of defense. This submission must be made within thirty days from the date of service. This time limit is strictly enforced to ensure the expeditious disposal of recovery applications. However, the Presiding Officer has limited power to grant extensions in exceptional cases.

19. (D) The Act entirely voids the State Financial Corporations Act, 1951.
While the Recovery of Debts and Bankruptcy Act has an overriding effect over inconsistent laws, it does not void the State Financial Corporations Act, 1951. Instead, its provisions are intended to be in addition to and not in derogation of that Act. This means both statutes can coexist, providing various mechanisms for financial institutions to recover their dues.

20. (A) The Chairperson has the power to appraise the work of presiding officers under his control.
The Chairperson of the Appellate Tribunal exercises general power of superintendence and control over the Tribunals within their jurisdiction. This includes the authority to appraise the performance and work of the Presiding Officers. Such administrative oversight ensures that the Tribunals function effectively, maintain consistency in their proceedings, and adhere to the objective of providing a speedy recovery mechanism.

21. (C) Imprisonment for poverty alone is unconstitutional, requiring proof of willful failure.
Legal precedents establish that a debtor cannot be imprisoned solely because they lack the financial means to pay. Arrest and detention are only permissible if there is evidence of willful failure to pay or if the defendant is attempting to obstruct the recovery process by concealing assets. Poverty itself is not a ground for detention under the Indian Constitution.

22. (B) A term of five years from the date of entering office or until attaining the age of seventy years, whichever is earlier.
The Chairperson of an Appellate Tribunal holds office for a term of five years from the date of appointment. However, they must vacate the office upon reaching the age of seventy years, whichever occurs earlier. This fixed term, combined with an upper age limit, ensures that the appellate authority is led by experienced individuals while maintaining a regular leadership rotation.

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23. (D) It acts as a complaint in a cross-suit for a unified final order.
When a defendant files a counter-claim in a recovery proceeding, it is treated with the same legal weight as a complaint in a cross-suit. This allows the Tribunal to adjudicate both the bank's claim and the defendant's counter-claim simultaneously. The goal is to issue a unified final order that resolves all disputes between parties in a single proceeding.

24. (D) Permanent forfeiture of the defendant's fundamental constitutional rights.
Section 25 of the Act specifies various modes for recovering debts, such as attaching property, arresting the defendant, or appointing a receiver. These methods are designed to secure the outstanding amount through legal and administrative means. The permanent forfeiture of a defendant's fundamental constitutional rights is not a recognized or legal mode of recovery under the statute or Indian law.

25. (B) The Tribunal is bound by the procedure laid down by the Civil Procedure Code, 1908.
The Debts Recovery Tribunal is not strictly bound by the detailed procedures laid down in the Code of Civil Procedure, 1908. Instead, it is guided by the principles of natural justice and has the power to regulate its own procedure. This flexibility allows the Tribunal to avoid unnecessary procedural delays and focus on the expeditious resolution of debt applications.

26. (D) A debenture trustee registered with the Board for secured debt securities.
The Act defines financial institutions to include specific entities beyond traditional banks. A debenture trustee registered with the Securities and Exchange Board of India for secured debt securities is explicitly included. This allows such trustees to utilize the specialized recovery mechanism provided by the Tribunal to recover dues on behalf of debenture holders, ensuring better protection for financial investors.

discretionary power to grant an extension, but this period cannot exceed fifteen additional days. This means the absolute maximum time a defendant has to file their defense, regardless of the emergency, is forty-five days from the summons.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Both the assertion and the reason are correct. While the Act bars civil court jurisdiction over debt recovery matters, it cannot override the constitutional powers of the High Courts and the Supreme Court. These constitutional courts maintain supervisory and writ jurisdiction under Articles 226 and 227. Aggrieved parties can still seek judicial review of Tribunal decisions through these higher forums.

66. (B) The appeal may be entertained if satisfied about the cause for delay.
Generally, an appeal must be filed within thirty days. However, the Appellate Tribunal has the authority to entertain an appeal filed after this period if it is satisfied that there was a sufficient cause for the delay. This provision allows for flexibility in cases where genuine administrative or personal obstacles prevented the timely filing of the appeal by the borrower.

67. (C) Yes, an application for execution of a foreign court decree can be entertained by the DRT.
The Debts Recovery Tribunal is legally authorized to handle applications for the execution of decrees passed by foreign courts. This ensures that banks can recover debts through the specialized tribunal system even when based on international judgments. This jurisdiction is part of the broader powers granted to the Tribunal to facilitate efficient debt recovery for financial institutions operating within India.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Both statements are true and the reason correctly explains the assertion. Legal precedents have clarified that execution is an integral part of court proceedings. Therefore, any execution proceedings pending in a civil court at the time the Act becomes operational must be transferred to the Debts Recovery Tribunal. This ensures that all phases of recovery are managed by the specialized body.

69. (D) No, the defendant cannot dispute the amount before the Recovery Officer.
A defendant is legally barred from disputing the correctness of the amount specified in a recovery certificate before the Recovery Officer. The officer's role is strictly limited to execution. If a defendant believes there is an error, they must approach the Presiding Officer who issued the certificate. The Recovery Officer must proceed with the recovery based on the certificate provided.

70. (C) The Tribunal shall order payment of the admitted amount within thirty days.
When a defendant admits that a specific portion of the claimed debt is due, the Tribunal can take immediate action. It is empowered to order the defendant to pay the admitted amount within thirty days. This allows for the partial recovery of funds without waiting for the final adjudication of the disputed remaining balance, furthering the objective of expeditious recovery.

71. (C) Assertion (A) is true, but Reason (R) is false.
Money overdrawn from a bank account, even without a formal facility, is considered a legally recoverable debt under the Act. However, the reason is false because judicial interpretations have established that payments made by a bank by mistake are also considered debts. Therefore, both types of liabilities can be recovered through the specialized mechanism of the Debts Recovery Tribunal.

72. (D) The Government fills the vacancy and the case continues from the previous stage.
If a vacancy occurs in the office of the Presiding Officer, the Central Government is responsible for appointing a successor. Once the new officer is appointed, the ongoing proceedings do not need to restart from the beginning. Instead, the case continues from the stage at which it was left, ensuring that the recovery process is not unnecessarily delayed by administrative.

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73. (B) DRT overrides the Companies Act, so leave of the court is unnecessary.
The Recovery of Debts and Bankruptcy Act has an overriding effect on the Companies Act. Consequently, a bank can proceed with its recovery application in the Tribunal without obtaining permission or leave from the Company Court, even if winding-up proceedings are active. This legal precedence ensures that debt recovery is not stalled by the lengthy liquidation processes of a company.

74. (D) The Tribunal may order security or attachment of the property if cause is not shown.
If a bank proves that a defendant is trying to dispose of or move assets to frustrate debt recovery, the Tribunal has specific powers to intervene. It can direct the defendant to furnish security for the amount due. If the defendant fails to provide this security or show cause, the Tribunal may order the conditional attachment of the specified property.

75. (A) The bank cannot file an application in DRT because the 2018 notification raised the pecuniary limit to Rs. 20 lakh.
Although the original statute set a limit of ten lakh rupees, the 2018 government notification increased the threshold to twenty lakh rupees. Since Alpha Bank's claim is for eighteen lakh rupees, it falls below the current mandatory minimum for filing an application before the Debts Recovery Tribunal. Consequently, the bank must seek recovery through the regular civil court system instead.

76. (D) The bank must seek permission from the DRT, which must be decided within 30 days.
A Multi-State Co-operative Bank cannot unilaterally withdraw an application from the Tribunal. It must formally seek permission to withdraw, often to pursue alternative remedies like the SARFAESI Act. The Tribunal is then required to act on this request as quickly as possible, with a statutory target to dispose of the withdrawal application within a period of thirty days.

77. (C) No, as the Act stipulates it is unnecessary to produce any policy document.
The Act specifically overrides internal rules or practices that require the production of a passbook, deposit receipt, or insurance policy document for making a payment to the Recovery Officer. Once a formal notice is issued, the third party is legally bound to remit the funds. The insurance company's refusal based on the lack of a physical policy document is not justified.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Both the assertion and reason are accurate. Requiring a fifty percent deposit for an appeal is a mandatory provision of the Act. This financial hurdle is intentionally designed to deter borrowers from using the appellate process as a stalling tactic. By ensuring that a significant portion of the debt is secured, the Act facilitates faster overall recovery of public funds.

79. (B) The Chairperson must notify and hear the parties before ordering a transfer.
The Chairperson of the Appellate Tribunal has the authority to transfer a case from one Presiding Officer to another. However, this power must be exercised according to the principles of natural justice. This means the Chairperson must provide notice to the parties involved and give them an opportunity to be heard before making a final decision on the transfer request.

80. (A) Yes, if the cause accrued before the defendant submitted his defense.
A defendant in a recovery proceeding can file a counter-claim against the bank. This is legally permissible even if the cause of action for the counter-claim arose after the bank filed its original application, provided it accrued before the defendant submitted their written defense. This allows for the comprehensive adjudication of all related disputes between the parties in a single forum.

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CHAPTER 19

Introduction to the Insolvency and Bankruptcy Code, 2016

Oct/Nov 2009

1. What is the minimum voting share of the financial creditors required for the Committee of Creditors to take decisions, unless otherwise provided in the Code?

(A) Not less than fifty-one per cent
(B) Not less than sixty-six per cent
(C) Not less than seventy-five per cent
(D) Not less than ninety per cent

May/June 2023

2. Regarding the liquidation estate of a corporate debtor, which of the following statements is incorrect?

(A) The liquidator shall form an estate of all assets of the corporate debtor called the liquidation estate.
(B) A secured creditor may relinquish its security interest to the liquidation estate.
(C) Sums due to a workman from the provident fund are included in the liquidation estate for proportionate distribution.
(D) Sums due to an employee from the gratuity fund are considered priority dues and are excluded from the liquidation estate.

Oct/Nov 2018

3. Which of the following best defines a "Financial Creditor" under the Insolvency and Bankruptcy Code, 2016?

(A) Any individual or entity that provides commercial goods or services to a corporate debtor on credit.
(B) Any person to whom an operational debt is legally owed, including those who have received an assignment of debt.
(C) Any person to whom a financial debt is owed, including any legal assignee or transferee of such debt.
(D) Any regulatory authority that monitors the financial position of the corporate debtor during formal insolvency proceedings.

May/June 2007

4. A financial creditor who is a related party of the corporate debtor is generally barred from representation or voting in the Committee of Creditors. Which of the following represents an exception where such a creditor CAN participate and vote?

(A) When the financial creditor also acts as an operational creditor for a separate transaction involving goods or services.
(B) When the financial creditor holds more than 50% of the voting share and has significant control over the debtor.
(C) A regulated financial creditor that became a related party solely by converting debt into equity before the insolvency date.
(D) When the financial creditor explicitly agrees to waive its legal right to claim any interest on the outstanding debt.

Oct/Nov 2025

5. Conceptually, how does the Insolvency and Bankruptcy Code distinguish between insolvency and bankruptcy?

(A) Insolvency is a temporary cash flow issue, whereas bankruptcy is a permanent balance sheet deficit.
(B) Insolvency is a state of inability to pay debts, whereas bankruptcy is a formal legal declaration of that state by a court.
(C) Insolvency applies exclusively to corporate entities, whereas bankruptcy applies exclusively to individuals and partnerships.
(D) Insolvency results in immediate liquidation, whereas bankruptcy mandates a mandatory resolution process.

May/June 2012

6. Under what circumstances is it most appropriate for the adjudicating authority to allow the withdrawal of an application admitted for the corporate insolvency resolution process?

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per cent.
(C) If the Board does not confirm the proposed resolution professional within ten days, the interim resolution professional is directed to continue functioning.
(D) The Adjudicating Authority appoints the proposed resolution professional directly without seeking confirmation from the Insolvency and Bankruptcy Board of India.

May/June 2009

20. Which of the following statements correctly identifies the target segment for the 'Pre-Packaged Insolvency Resolution Process' introduced in 2021?
(A) It applies to MSME corporate debtors as defined under the Micro, Small and Medium Enterprises Development Act, 2006.
(B) It applies to large-scale multinational corporations dealing with complex cross-border debt defaults and asset recovery.
(C) It is designed exclusively for individual debtors and partnership firms who act as personal guarantors for loans.
(D) It is applicable to all corporate debtors whose total default amount is verified to exceed Rs. 10 Crores.

Oct/Nov 2011

21. What is the most appropriate action for the Adjudicating Authority to take if an operational creditor initiates the resolution process but fails to propose the name of an interim resolution professional?
(A) It must immediately reject the application on the grounds of being technically incomplete and invalid.
(B) It must direct the operational creditor to personally act as the interim resolution professional for the process.
(C) It must reference the IBBI to recommend an insolvency professional for the case.
(D) It must appoint the existing statutory auditor of the corporate debtor to serve as the interim resolution professional.

May/June 2010

22. What is the revised minimum amount of default required to initiate the insolvency resolution process, as notified by the Government with effect from 24th March 2020?
(A) Rs. 1 Lakh
(B) Rs. 10 Lakhs
(C) Rs. 50 Lakhs
(D) Rs. 1 Crore

Oct/Nov 2024

23. What is the fundamental purpose of the 'waterfall mechanism' detailed in the insolvency resolution framework?
(A) To outline the sequential stages of the corporate insolvency resolution process.
(B) To determine the proportionate voting share of financial creditors in the Committee of Creditors.
(C) To guide the step-by-step procedure for initiating a fast-track insolvency resolution.
(D) To establish a strict order of priority for the distribution of liquidation proceeds among various stakeholders.

May/June 2017

24. Which of the following entities is explicitly barred from having jurisdiction or granting any injunction regarding matters covered under the insolvency resolution process?
(A) National Company Law Tribunal (NCLT)
(B) National Company Law Appellate Tribunal (NCLAT)
(C) Supreme Court of India
(D) Civil Courts

Oct/Nov 2005

25. Regarding the suspension of initiation of Corporate Insolvency Resolution Process (CIRP) due to specified periods of default, which of the following statements is incorrect?
(A) It suspends the initiation of CIRP by financial creditors, operational creditors, and all categories of corporate applicants.
(B) Creditors are permitted to file applications for defaults occurring during the suspension period after it expires.
(C) Applications for CIRP remain valid for defaults that were officially recorded as occurring before 25th March 2020.
(D) The suspension is applicable specifically to defaults arising on or after 25th March 2020 for the notified statutory period.

May/June 2020

26. What constitutes an "Operational Debt" under the context of the Insolvency and Bankruptcy Code, 2016?

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Oct/Nov 2022

13. Which of the following entities is incorrectly stated as being NOT entitled to make an application to initiate a corporate insolvency resolution process?

(A) A corporate debtor who completed a corporate insolvency resolution process 24 months preceding the date of the new application.

(B) A corporate debtor currently undergoing a corporate insolvency resolution process.

(C) A corporate debtor or financial creditor who has violated the terms of an approved resolution plan twelve months preceding the application date.

(D) A corporate debtor in respect of whom a liquidation order has been made.

May/June 2018

14. Which of the following statements correctly describes the initiation of the Corporate Insolvency Resolution Process (CIRP) by a financial creditor?

(A) Only a single financial creditor can file an application for CIRP; joint applications are strictly prohibited.

(B) A financial creditor must obtain prior approval from the operational creditors before filing a CIRP application.

(C) A financial creditor can file an application for CIRP either by itself or jointly with other financial creditors.

(D) A financial creditor can only initiate CIRP if the corporate debtor voluntarily passes a special resolution.

Oct/Nov 2016

15. What is the most appropriate condition under which the Adjudicating Authority may extend the initial 180-day period of the corporate insolvency resolution process?

(A) It may grant an extension not exceeding 45 days, renewable an unlimited number of times based on committee approval.

(B) It may grant an extension of up to 180 additional days upon the unilateral request of the interim resolution professional.

(C) It may grant an extension not exceeding 90 days, provided such extension shall not be granted more than once.

(D) It may grant a mandatory extension of 330 days without requiring any formal application from the resolution professional.

May/June 2014

16. How is "Bankruptcy" uniquely defined in contrast to insolvency?

(A) It is the legal declaration where the court liquidates an insolvent's personal property to pay creditors.

(B) It is a temporary state of financial distress where an entity cannot meet its current liabilities as they fall due.

(C) It is a specific legal action initiated exclusively by operational creditors to recover dues from a defaulting individual.

(D) It is a formal moratorium period granted by the tribunal to allow a corporate debtor to restructure its existing debts.

Oct/Nov 2007

17. All of the following persons are explicitly prohibited from making an application to initiate the corporate insolvency resolution process, EXCEPT:

(A) A corporate debtor having completed a corporate insolvency resolution process 24 months preceding the date of application.

(B) A corporate debtor undergoing a pre-packaged insolvency resolution process.

(C) A financial creditor who has violated the terms of a resolution plan approved twelve months prior to the application.

(D) A corporate debtor in respect of whom a liquidation order has been made.

May/June 2025

18. Under the Fast Track Insolvency Resolution Process, what is the standard timeframe prescribed for completing the process?

(A) 45 days

(B) 90 days

(C) 180 days

(D) 330 days

Oct/Nov 2019

19. Which statement is incorrect concerning the appointment of a Resolution Professional?

(A) The first meeting of the committee of creditors must be held within seven days of its constitution.

(B) The committee of creditors may resolve to replace the interim resolution professional by a majority vote of not less than sixty-six

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P. National Company Law Tribunal (NCLT)
Q. Debt Recovery Tribunal (DRT)
R. National Company Law Appellate Tribunal (NCLAT)
S. Supreme Court of India

List II: (Jurisdiction)

1. Forum for insolvency proceedings related to individuals and partnership firms.
2. Hears appeals against the orders of NCLAT only on questions of law.
3. Hears appeals against the orders passed by NCLT.
4. Forum where cases relating to insolvency of corporate persons are heard.

(A) P-2, Q-3, R-1, S-4
(B) P-4, Q-1, R-3, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2009

43. Read the following statements regarding entities that are explicitly NOT entitled to make an application to initiate a corporate insolvency resolution process:

I. A corporate debtor currently undergoing a pre-packaged insolvency resolution process.
II. A corporate debtor having completed a corporate insolvency resolution process twelve months preceding the application date.
III. A corporate debtor in respect of whom a liquidation order has been made.

Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

May/June 2023

44. Consider the following statements regarding the tenure of an Interim Resolution Professional (IRP):

I. The Adjudicating Authority appoints the IRP strictly for a fixed period of 30 days, after which the tenure automatically lapses.
II. The term of the IRP shall continue until the date the resolution professional is formally appointed by the committee of creditors.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2018

45. Read the following statements regarding the applicability of the Insolvency and Bankruptcy Code to various entities:

I. Companies incorporated under the Companies Act, 2013 or any previous company law.
II. Limited Liability Partnerships incorporated under the LLP Act, 2008.
III. Personal guarantors to corporate debtors.
IV. Partnership firms and proprietorship firms.
V. Individuals, other than personal guarantors.

Which of the above statement(s) is/are correct?
(A) Only I, II, III, and IV
(B) Only I, II, IV, and V
(C) Only I, III, IV, and V
(D) I, II, III, IV, and V

May/June 2007

46. Arrange the following debts in the chronological order of their priority for payment during the distribution of liquidation proceeds, based on the standard waterfall mechanism:

I. Wages and unpaid dues to employees (other than workmen) for 12 months before commencement.
II. Insolvency resolution cost and liquidation cost.
III. Financial debts to unsecured creditors.
IV. Workmen's dues for 24 months before commencement and debts to secured creditors who relinquished security.

Which of the above statement(s) is/are correct?
(A) II, IV, I, III
(B) II, I, IV, III
(C) IV, II, III, I
(D) I, II, IV, III

Oct/Nov 2025

47. Read the following statements regarding how an individual financial creditor may exercise their rights in the Committee of Creditors (CoC) when debt is part of a consortium arrangement:

I. They may authorize the trustee or agent to act on their behalf to the extent of their voting share.
II. They may represent themselves directly in the committee to the extent of their voting share.
III. They may appoint an insolvency professional

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(A) Funds borrowed from a financial institution against the payment of interest for specific commercial purposes.
(B) Any capital amount raised pursuant to a note purchase facility or through the public issuance of bonds.
(C) Any derivative transaction entered into primarily for protection against fluctuations in interest rates or prices.
(D) A claim for the provision of goods, services, employment, or dues payable to government authorities.

Oct/Nov 2015

27. Which adjudicating authority is most appropriately designated to handle insolvency proceedings related to individuals and partnership firms?
(A) Debt Recovery Tribunal (DRT)
(B) National Company Law Tribunal (NCLT)
(C) National Company Law Appellate Tribunal (NCLAT)
(D) Insolvency and Bankruptcy Board of India (IBBI)

May/June 2013

28. What is the primary conceptual objective behind the enactment of the Insolvency and Bankruptcy Code, 2016?
(A) To maximize the value of the assets of the debtor in the interest of all stakeholders.
(B) To ensure operational creditors are paid before financial creditors in all circumstances.
(C) To provide a framework exclusively for the voluntary liquidation of solvent companies.
(D) To centralize all corporate debt recovery under the jurisdiction of standard Civil Courts.

Oct/Nov 2021

29. Within the legal framework of insolvency, "financial debt" includes a variety of transactions. Which of the following is NOT classified as a financial debt?
(A) Money borrowed against the payment of interest.
(B) Any amount raised by acceptance under an acceptance credit facility.
(C) A claim in respect of the provision of goods or services, including employment.
(D) Any derivative transaction entered into for protection against price fluctuation.

May/June 2024

30. Which of the following statements is correct regarding the constitution of the Committee of Creditors?
(A) It shall comprise all operational and financial creditors holding more than 10% of the total debt.
(B) It shall comprise exclusively the operational creditors who have initiated the resolution process.
(C) It shall comprise the Board of Directors of the corporate debtor and the interim resolution professional.
(D) It shall comprise all financial creditors of the corporate debtor.

Oct/Nov 2008

31. Match the class of creditors or dues (List I) with their corresponding rank/priority in the liquidation waterfall mechanism (List II).
List I: (Creditor Class)
P. Insolvency resolution cost and liquidation cost
Q. Workmen's dues (for 24 months) and secured creditors (relinquished security)
R. Financial debts to unsecured creditors
S. Crown debts and secured creditors following enforcement of security interest
List II: (Priority Level)
1. First Priority
2. Second Priority
3. Fourth Priority
4. Fifth Priority
(A) P-1, Q-2, R-3, S-4
(B) P-1, Q-2, R-4, S-3
(C) P-2, Q-1, R-4, S-3
(D) P-4, Q-3, R-2, S-1

NODIA

May/June 2006

32. Read the following statements regarding the procedural steps involved when the Committee of Creditors (CoC) decides to replace the interim resolution professional with another resolution professional:
I. The CoC must pass a resolution by a majority vote of not less than sixty-six per cent of the voting share.
II. The CoC must file an application directly with the Supreme Court of India for immediate ratification.

III. The Adjudicating Authority forwards the name of the newly proposed resolution professional to the IBBI for confirmation.

Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

Oct/Nov 2017

33. Match the four pillars of the institutional infrastructure under the Insolvency and Bankruptcy Code (List I) with their corresponding primary functions or descriptions (List II).

List I: (Institutional Pillars)
P. Insolvency Professionals
Q. Information Utilities
R. Adjudicating Authorities
S. Insolvency and Bankruptcy Board of India (IBBI)

List II: (Primary Functions)
1. Collect, collate, authenticate and disseminate financial information.
2. Have regulatory oversight over insolvency professionals and agencies.
3. Assist in the completion of insolvency resolution, liquidation, and bankruptcy proceedings.
4. Provide the forum where cases relating to insolvency are heard (e.g., NCLT, DRT).

(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-1, R-4, S-3

May/June 2008

34. Read the following statements regarding scenarios that legally trigger the commencement of the liquidation process for a corporate debtor:
I. Failure to submit the resolution plan to the NCLT within the prescribed period.
II. Rejection of the resolution plan by the NCLT for non-compliance with the requirements of the Code.
III. A decision by the creditors' committee, based on a majority vote, to liquidate the corporate debtor.
IV. Contravention of the terms of the approved resolution plan by the corporate debtor.

Which of the above statement(s) is/are correct?
(A) Only I, II, and III
(B) Only I, III, and IV
(C) Only II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2013

35. Consider the following statements regarding the coverage of the Insolvency and Bankruptcy Code, 2016:
I. It applies to any company incorporated under the Companies Act, 2013, as well as Limited Liability Partnerships (LLPs).
II. It applies exclusively to corporate entities and explicitly excludes individuals, partnership firms, and personal guarantors.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2015

36. Read the following statements regarding the rules for an authorized representative for a class of financial creditors:
I. The interim resolution professional shall apply to the Adjudicating Authority with a list of all financial creditors.
II. The application must contain the name of an insolvency professional to act as the authorized representative.
III. The proposed authorized representative must be the same person currently serving as the interim resolution professional.
IV. The authorized representative is appointed by the Adjudicating Authority prior to the first meeting of the committee of creditors.
V. The authorized representative attends meetings and votes on behalf of each financial creditor to the extent of their voting share.

Which of the above statement(s) is/are correct?
(A) Only I, II, IV, and V
(B) Only I, II, III, and V
(C) Only II, III, IV, and V
(D) I, II, III, IV, and V

Oct/Nov 2012

37. Arrange the following procedural activities in the correct chronological order as they are performed by the Adjudicating Authority immediately after the admission of an insolvency application:

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I. Cause a public announcement of the initiation of the corporate insolvency resolution process.
II. Appoint an interim resolution professional.
III. Declare a moratorium for the purposes of the process.

(A) I, II, III
(B) III, I, II
(C) II, III, I
(D) III, II, I

May/June 2011

38. Read the following statements regarding the rules for initiating a Corporate Insolvency Resolution Process (CIRP) by financial creditors who are allottees under a real estate project:

I. They can initiate the process individually without needing to group with other allottees.
II. The application must be filed jointly by not less than one hundred of such allottees under the same real estate project.
III. The application may alternatively be filed by not less than ten per cent of the total number of allottees under the same project, whichever is less compared to the hundred-allottee rule.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

Oct/Nov 2020

39. Read the following statements regarding the procedures following the receipt of an application from a financial creditor to initiate insolvency proceedings:

I. The Adjudicating Authority must ascertain the existence of a default within fourteen days of receiving the application.
II. If default has occurred and the application is complete, the authority may admit the application.
III. If the application is incomplete, the authority must immediately and irrevocably reject it without any further communication.
IV. Before rejecting an incomplete application, the authority must issue a notice allowing the applicant to rectify the defect within seven days.

Which of the above statement(s) is/are correct?

(A) Only I, II, and III
(B) Only I, II, and IV
(C) Only II, III, and IV
(D) I, II, III, and IV

May/June 2022

40. Which of the following pairs correctly identifies a category of corporate debtor eligible for the Fast Track Insolvency Resolution Process?

(A) A corporate debtor with unnotified assets and income verified to be significantly above Rs. 100 Crores in a financial year.
(B) Any corporate debtor undergoing voluntary liquidation who suddenly discovers an unexpected default in its financial books.
(C) A corporate debtor classified exclusively as a large multinational enterprise with operations in multiple global jurisdictions.
(D) A corporate debtor with a class of creditors or amount of debt notified by the Central Government.

Oct/Nov 2023

41. Read the following statements regarding the conditions and procedural steps for the Voluntary Liquidation of a Corporate Person:

I. The corporate person must intend to liquidate itself and must not have committed any default.
II. The corporate person must be fully capable of paying off its debts from the proceeds of the liquidated assets.
III. A declaration is required from the majority of directors stating that the company is not being liquidated to defraud any person.
IV. The resolution for voluntary liquidation must be approved by creditors representing two-thirds value of the company's debts.
V. The process commences entirely without the need for any resolution to be passed by the creditors.

Which of the above statement(s) is/are correct?

(A) Only I, II, III, and IV
(B) Only I, II, III, and V
(C) Only II, III, IV, and V
(D) I, II, III, IV, and V

NODIA

May/June 2016

42. Match the adjudicating and appellate forums (List I) with their specific jurisdictions or characteristics (List II).

List I: (Forums)

List II: (Timelines)
1. 14 days
2. 330 days
3. 7 days
4. 180 days

(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2010

53. Which of the following pairs regarding the requisite voting share of the Committee of Creditors for specific decisions is incorrectly matched?

(A) General decisions of the committee (unless otherwise provided) : Not less than 51 per cent
(B) Resolving to replace the interim resolution professional with another resolution professional : Not less than 66 per cent
(C) Instructing the resolution professional to apply for an extension of the CIRP period : Not less than 66 per cent
(D) Approving the withdrawal of an admitted application : Not less than 75 per cent

May/June 2005

54. Read the following statements regarding the specific conditions under which a financial creditor, who is a related party to the corporate debtor, may retain the right to vote in the Committee of Creditors:

I. The financial creditor must be regulated by a financial sector regulator.
II. The financial creditor became a related party solely on account of the conversion or substitution of debt into equity shares.
III. The conversion or substitution transaction must have been completed prior to the insolvency commencement date.
IV. The financial creditor must possess a special waiver certificate issued directly by the corporate debtor's board of directors.

Which of the above statement(s) is/are correct?

(A) Only I, II, and III
(B) Only I, III, and IV
(C) Only II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2022

55. Read the following statements regarding the requirements for a financial creditor when filing an application to initiate a corporate insolvency resolution process:

I. A record of the default recorded with the information utility or other specified evidence must be furnished.
II. The name of the resolution professional proposed to act as an interim resolution professional must be provided.
III. A written guarantee from the corporate debtor acknowledging the total outstanding default amount must be furnished.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

May/June 2018

56. Match the specific terms (List I) with their corresponding definitions or characteristics (List II).

List I: (Terms)
P. Insolvency
Q. Bankruptcy
R. Operational Debt
S. Financial Debt

List II: (Definitions)
1. Legal declaration either voluntary by the debtor or at the instance of the creditor.
2. A claim in respect of the provision of goods or services, including employment.
3. State where an individual or organization is unable to meet its outstanding debt as it becomes due.
4. A debt along with interest disbursed against the consideration for the time value of money.

(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2016

57. Read the following statements regarding specific transactions included within the definition of "financial debt":

I. Money borrowed against the payment of interest.
II. Any amount raised by acceptance under any

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(other than the resolution professional) at their own cost to represent them.

IV. They may exercise their right to vote jointly or severally with one or more financial creditors.

Which of the above statement(s) is/are correct?

(A) Only I, II, and III
(B) Only I, III, and IV
(C) Only II, III, and IV
(D) I, II, III, and IV

May/June 2012

48. Which of the following accurately pairs the class of financial creditor with the statutory threshold required to jointly file an application for initiating the Corporate Insolvency Resolution Process (CIRP)?

(A) Financial creditors in the same class: Not less than fifty creditors or ten per cent of the total number, whichever is higher at admission.
(B) Real estate allottees: Not less than 100 allottees or 10% of the total, whichever is less.
(C) Operational creditors: Not less than one hundred creditors holding at least twenty per cent of the total outstanding operational debt.
(D) Individual unsecured financial creditors: Mandatory joint filing by at least five creditors holding fifty per cent of the total debt value.

Oct/Nov 2014

49. Read the following statements regarding the applicability and purpose of the Fast Track Insolvency Resolution Process:

I. It applies to corporate debtors with assets and income below a level notified by the Central Government.
II. It is specifically designed to handle the complex insolvency of multi-national conglomerates.
III. It serves as an enabler for start-ups and small and medium enterprises to complete the resolution process quickly.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

NODIA

May/June 2019

50. Consider the following statements regarding the Fast Track Insolvency Resolution Process:

I. The baseline timeframe for completing the fast track process is set at 90 days from the date of admission.
II. The adjudicating authority possesses the power to extend this 90-day period by a maximum further period of 45 days.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2006

51. Read the following statements regarding the constituent elements of the 'waterfall mechanism' for the distribution of liquidation proceeds:

I. Insolvency resolution cost and liquidation cost.
II. Workmen's dues for 24 months preceding commencement.
III. Wages and unpaid dues to employees (other than workmen) for 12 months preceding commencement.
IV. Financial debts to unsecured creditors.
V. Preference shareholders and equity shareholders.

Which of the above statement(s) is/are correct?

(A) Only I, II, III, and V
(B) Only I, III, IV, and V
(C) Only I, II, IV, and V
(D) I, II, III, IV, and V

May/June 2021

52. Match the specific procedural activities (List I) with their corresponding prescribed timelines (List II).

List I: (Activities)

P. Time given to the applicant to rectify a defect in the application after notice.
Q. Time limit for the Adjudicating Authority to ascertain the existence of a default after receiving an application.
R. Standard time limit for completion of the corporate insolvency resolution process from the date of admission.
S. Mandatory overall time limit for completion of CIRP, including extensions and legal proceedings.

(A) When the applicant submits a written request with the approval of at least fifty-one per cent voting share of the committee of creditors.
(B) When the applicant submits a written request with the approval of sixty-six per cent voting share of the committee of creditors.
(C) When the applicant makes an application supported by the approval of ninety per cent voting share of the committee of creditors.
(D) When the interim resolution professional unilaterally decides that the corporate debtor is financially viable.

Oct/Nov 2014

7. Which of the following precisely describes "Insolvency" under the context of the Insolvency and Bankruptcy Code, 2016?
(A) A legal declaration by the court that a person is unable to pay their debts.
(B) A state where an individual or organization is unable to meet its outstanding financial debt towards its lender as it becomes due.
(C) A process where the assets of a defaulting corporate entity are immediately sold to pay off operational creditors.
(D) An agreement between a corporate debtor and a financial creditor to write off a part of the outstanding loan.

May/June 2019

8. Which statement is correct regarding the legal requirements for initiating a voluntary liquidation proceeding?
(A) It requires a formal declaration from a minority of directors stating that the company has become terminally insolvent.
(B) A majority of directors declare that the company is not being liquidated to defraud any person.
(C) It requires a final order from the Adjudicating Authority certifying that the corporate person has committed a default.
(D) It requires the unanimous written consent of all operational creditors who have provided services to the corporate person.

Oct/Nov 2006

9. Which of the following functions is NOT performed by Information Utilities under the Insolvency and Bankruptcy Code framework?
(A) Collecting, collating, and authenticating financial information for creditors.
(B) Adjudicating disputes and passing binding legal orders on corporate debtors.
(C) Disseminating financial information to relevant stakeholders in the process.
(D) Maintaining electronic databases on lenders and the specific terms of lending.

May/June 2021

10. In the institutional infrastructure of the Insolvency and Bankruptcy Code (IBC), what conceptual role do Insolvency Professionals (IPs) fulfill regarding regulatory oversight?
(A) They act as the final adjudicating authority for corporate insolvency.
(B) They function as information utilities collecting and disseminating financial data.
(C) They serve as first level regulators maintaining professional standards and a code of ethics.
(D) They serve as the appellate tribunal for decisions made by the Committee of Creditors.

Oct/Nov 2010

11. If a secured creditor chooses to realize its security interest outside the liquidation estate but faces a shortfall in recovery, what is the most appropriate treatment of this shortfall claim?
(A) The shortfall is treated as the highest priority debt, superseding insolvency resolution process costs.
(B) The shortfall is completely written off and cannot be claimed from the liquidation estate.
(C) The shortfall is reimbursed directly by the Central Government from a designated reserve fund.
(D) The shortfall claim is paid by the liquidator but remains junior to the claims of unsecured creditors.

May/June 2005

12. Within how many days are the orders of the National Company Law Appellate Tribunal (NCLAT) appealable before the Supreme Court?
(A) Within 15 days
(B) Within 30 days
(C) Within 45 days
(D) Within 60 days

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acceptance credit facility.
III. The amount of any liability in respect of any finance or capital lease.
IV. Receivables sold or discounted on a non-recourse basis exclusively.
V. Any derivative transaction entered into in connection with protection against fluctuation in any rate or price.

Which of the above statement(s) is/are correct?
(A) Only I, II, III, and IV
(B) Only I, II, III, and V
(C) Only II, III, IV, and V
(D) I, II, III, IV, and V

May/June 2014

58. Which of the following pairs regarding appellate timelines in the insolvency resolution process is incorrectly matched?
(A) Appeal from NCLAT to Supreme Court : Within 90 days
(B) Appeal from NCLT to NCLAT : Within 30 days
(C) Extension period for filing appeal to NCLAT on sufficient grounds : 15 days
(D) Condition for appeal to Supreme Court : Only on a question of law

Oct/Nov 2007

59. Read the following statements regarding the four foundational pillars of the institutional infrastructure under the Insolvency and Bankruptcy Code, 2016:
I. Insolvency Professionals
II. Information Utilities
III. Adjudicating Authorities
IV. The Insolvency and Bankruptcy Board of India (IBBI)

Which of the above statement(s) is/are correct?
(A) Only I, II, and III
(B) Only I, III, and IV
(C) Only II, III, and IV
(D) I, II, III, and IV

May/June 2025

60. Consider the following statements concerning the insolvency resolution process for companies and limited liability entities:
I. The process consists of two independent stages: the Insolvency Resolution Process and Liquidation.
II. Liquidation is triggered only if the insolvency resolution process fails or if financial creditors proactively decide to wind down the debtor.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

NODIA

Oct/Nov 2019

61. Delta Bank files an application to initiate Corporate Insolvency Resolution Process (CIRP) against a defaulting corporate debtor. The application is entirely complete, and the default is clearly established. However, the adjudicating authority discovers that the insolvency professional proposed by Delta Bank currently has an active disciplinary proceeding pending against him. What is the mandatory course of action for the Adjudicating Authority in this specific scenario?
(A) It must admit the application and unilaterally assign a different resolution professional of its own choosing.
(B) It must transfer the entire CIRP application to a Civil Court for further investigation into the professional's conduct.
(C) It must reject the application due to the pending disciplinary proceeding against the proposed resolution professional.
(D) It must admit the application and allow the proposed resolution professional to serve on a probationary basis.

May/June 2009

62. "Bank Zeta" is a financial sector regulator-regulated entity. It had extended a loan to a corporate debtor. Prior to the insolvency commencement date, a portion of this debt was converted into equity shares of the corporate debtor, making Bank Zeta a "related party" to the corporate debtor. Regarding voting rights in the Committee of Creditors (CoC), what is the status of Bank Zeta?
(A) Bank Zeta retains its full rights to represent, participate, and vote in the CoC despite being a related party.
(B) Bank Zeta completely loses its statutory right of representation, participation, and voting because of its related party status.
(C) Bank Zeta can participate in the meetings but its voting share is capped at a maximum of 10% regardless of debt value.

17. (A) A corporate debtor having completed a corporate insolvency resolution process 24 months preceding the date of application.
Certain restrictions prevent corporate debtors from repeatedly or inappropriately filing for insolvency. Entities currently in liquidation or those undergoing pre-packaged processes are barred from initiating new proceedings. However, a corporate debtor that successfully completed a resolution process twenty-four months ago is not restricted. The statutory bar only applies if the previous process was completed within twelve months preceding the application.

18. (B) 90 days
The fast-track insolvency resolution process is specifically tailored for smaller corporate entities or startups to ensure a speedier outcome. Under this mechanism, the entire process must be concluded within a standard timeframe of ninety days from the commencement date. This compressed schedule helps in preserving the value of the business and facilitating a more efficient exit or restructuring path.

19. (D) The Adjudicating Authority appoints the proposed resolution professional directly without seeking confirmation from the Insolvency and Bankruptcy Board of India.
The appointment of a resolution professional involves specific procedural steps between the creditors and the regulatory board. While the committee proposes a candidate, the adjudicating authority must seek confirmation from the Insolvency and Bankruptcy Board of India before making the final appointment. If the board does not provide confirmation within ten days, the interim professional continues to manage the process.

20. (A) It applies to MSME corporate debtors as defined under the Micro, Small and Medium Enterprises Development Act, 2006.
The pre-packaged insolvency resolution process was introduced to provide a more collaborative and efficient restructuring framework. This specific mechanism is currently targeted toward micro, small, and medium enterprises as defined by national development legislation. It allows these smaller corporate debtors to negotiate a resolution plan with their creditors before approaching the adjudicating authority, thereby reducing the time and legal costs.

21. (C) It must reference the IBBI to recommend an insolvency professional for the case.
Operational creditors may initiate the resolution process without proposing an interim resolution professional in their initial application. In such instances, the adjudicating authority must ensure that a qualified professional is appointed to manage the debtor's affairs. To achieve this, the authority makes a formal reference to the Insolvency and Bankruptcy Board of India to recommend a suitable insolvency professional.

22. (D) Rs. 1 Crore
The threshold for initiating the corporate insolvency resolution process was significantly increased to prevent the unnecessary liquidation of companies facing temporary financial stress. Since March 2020, the minimum amount of default required for an application to be admitted is one crore rupees. This revision protects businesses from being pushed into insolvency over relatively minor debts, especially during difficult economic periods.

23. (D) To establish a strict order of priority for the distribution of liquidation proceeds among various stakeholders.
The waterfall mechanism serves as the definitive guide for distributing assets when a company enters liquidation. It establishes a strict hierarchy among various stakeholders, ensuring that certain claims are paid in full before others receive any proceeds. This system prioritizes insolvency costs and workmen's dues over lower-ranked claims, such as those of unsecured creditors, government authorities, or equity shareholders.

24. (D) Civil Courts
To ensure the efficiency of the insolvency process and prevent unnecessary legal delays, specialized tribunals have exclusive jurisdiction over these matters. General civil courts are explicitly barred from hearing cases or granting injunctions related to any issues governed by the insolvency code. This centralization of authority in the National Company Law Tribunal ensures consistent application of the law and faster resolution.

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(CoC) passes a resolution with a 70% voting share instructing the professional to seek an extension. The Adjudicating Authority grants a 60-day extension. Later, the process requires yet another extension of 30 days. Can the Adjudicating Authority grant this second extension of 30 days?

(A) Yes, because the CoC approved the first extension with more than the required 66% voting share.
(B) Yes, as long as the total extended period does not exceed 90 days in aggregate.
(C) No, because any extension of the CIRP period shall not be granted more than once.
(D) No, because extensions can only be granted in exact blocks of 90 days, not 60 or 30 days.

May/June 2020

68. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct option.

Assertion (A): Sums owed to an employee from the company's gratuity fund are distributed proportionally among all unsecured creditors during the liquidation process.

Reason (R): The Insolvency and Bankruptcy Code explicitly excludes provident fund, pension fund, and gratuity fund dues from forming part of the liquidation estate of the bankrupt entity.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2015

69. A financial creditor successfully initiates Corporate Insolvency Resolution Process (CIRP) against a corporate debtor. Two months into the process, the corporate debtor secures an external investor and wishes to settle the dues. The applicant financial creditor files to withdraw the application. Whose approval is mandatorily required for the adjudicating authority to allow this withdrawal, and at what voting threshold?

(A) The approval of the interim resolution professional independently.
(B) The approval of the Insolvency and Bankruptcy Board of India (IBBI) with a 51% majority.
(C) The approval of the committee of creditors with a ninety per cent voting share.
(D) The approval of the committee of creditors with a sixty-six per cent voting share.

May/June 2013

70. In the liquidation of "Alpha Trading," the liquidator has realized Rs. 10 Crores. The pending claims are: Insolvency Resolution Process costs (Rs. 50 Lakhs), Workmen's dues for the last 24 months (Rs. 2 Crores), Unsecured Financial Debts (Rs. 5 Crores), and Crown debts/government taxes (Rs. 1 Crore). Which of these claims will be paid out immediately after the Insolvency Resolution Process costs have been fully settled?

(A) The Insolvency resolution process costs.
(B) The Crown debts / government taxes.
(C) The Workmen's dues for the last 24 months.
(D) The Unsecured Financial Debts.

Oct/Nov 2021

71. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct option.

Assertion (A): The presence of Information Utilities under the insolvency framework helps in significantly eliminating delays and disputes when a financial default actually takes place.

Reason (R): Information Utilities maintain electronic databases on lenders and the terms of lending, collecting, collating, and authenticating crucial financial information prior to any default.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2024

72. "Omega Tech Ltd" successfully completed its corporate insolvency resolution process, and its resolution plan was fully implemented on January 15, 2023. On September 10, 2023, Omega Tech Ltd commits a new default on a separate loan and attempts to file an application to initiate CIRP against itself as a corporate

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ANSWERS

1. (A) Not less than fifty-one per cent
The Committee of Creditors serves as the primary decision-making body during corporate insolvency proceedings. According to statutory provisions, any action taken by this committee requires approval by a majority vote of the financial creditors. Unless a specific threshold is prescribed for a particular decision, the minimum requirement is a voting share of at least fifty-one per cent.

2. (C) Sums due to a workman from the provident fund are included in the liquidation estate for proportionate distribution.
The liquidator is responsible for organizing the assets of a corporate debtor into a distinct liquidation estate for distribution. While various corporate assets are included, specific employee-related funds like the provident fund, pension fund, and gratuity fund are legally excluded. These sums are protected for the benefit of workers rather than being distributed among other creditors.

3. (C) Any person to whom a financial debt is owed, including any legal assignee or transferee of such debt.
A financial creditor is an individual or entity to whom a financial debt is legally owed. This definition encompasses original lenders as well as any person who has received a legal assignment or transfer of such debt. These creditors play a critical role in the insolvency process, specifically through their participation and voting within the creditors' committee.

4. (C) A regulated financial creditor that became a related party solely by converting debt into equity before the insolvency date.
Related parties are generally prohibited from voting in the creditors' committee to prevent conflicts of interest. However, a specific exception exists for regulated financial creditors who became related parties solely by converting their debt into equity. This conversion must have occurred before the insolvency commencement date for the creditor to retain its full participation and voting rights.

NODIA

5. (B) Insolvency is a state of inability to pay debts, whereas bankruptcy is a formal legal declaration of that state by a court.
Insolvency describes a financial state where an entity or individual cannot pay debts as they become due. Bankruptcy is the subsequent legal status declared by a competent court when the insolvency remains unresolved. While insolvency reflects a functional economic condition, bankruptcy represents a formal legal conclusion that leads to the structured liquidation of the debtor's existing assets.

6. (C) When the applicant makes an application supported by the approval of ninety per cent voting share of the committee of creditors.
Once an insolvency application is admitted, withdrawal is strictly regulated to protect the interests of all stakeholders involved. The adjudicating authority may permit the withdrawal of an application only if it is supported by a very high level of consensus among creditors. Specifically, the request must be backed by at least a ninety per cent voting share.

7. (B) A state where an individual or organization is unable to meet its outstanding financial debt towards its lender as it becomes due.
Insolvency refers to the functional state of financial distress where an individual or organization cannot fulfill its outstanding financial obligations. This condition occurs when liabilities exceed liquid assets or when cash flows are insufficient to meet payments as they fall due. It is the practical precursor to formal legal proceedings such as restructuring, resolution, or eventual bankruptcy.

8. (B) A majority of directors declare that the company is not being liquidated to defraud any person.
Initiating voluntary liquidation requires a formal declaration of solvency by the majority of the company's directors. They must state that the

(A) Within 7 days
(B) Within 10 days
(C) Within 14 days
(D) Within 30 days

May/June 2015

78. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct option.
Assertion (A): If the Insolvency and Bankruptcy Board of India fails to confirm the name of a newly proposed resolution professional within ten days, the corporate insolvency resolution process is immediately suspended.
Reason (R): In the absence of Board confirmation within the ten-day window, the Adjudicating Authority must issue an order directing the interim resolution professional to continue functioning until the new appointment is confirmed.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2012

79. Mr. Sharma is owed Rs. 50 Lakhs by a corporate debtor as an unpaid supplier of raw materials. Concurrently, he also holds unredeemed corporate bonds issued by the same debtor worth Rs. 2 Crores. The Corporate Insolvency Resolution Process (CIRP) commences, and the interim resolution professional is formulating the Committee of Creditors (CoC). How will Mr. Sharma be treated in relation to his inclusion and voting rights in the Committee of Creditors?
(A) He will be excluded from the CoC entirely as his dual status creates a fundamental conflict of interest.
(B) He will be included in the CoC as a financial creditor with a voting share proportionate only to his Rs. 2 Crores financial debt.
(C) He will be treated strictly as an operational creditor for his entire debt of Rs. 2.5 Crores.
(D) He will be included in the CoC as a financial creditor with a voting share proportionate to his combined total debt of Rs. 2.5 Crores.

May/June 2011

80. The directors of "Solvent Solutions Pvt Ltd" wish to wind up the company and retire. The company has no defaults and sufficient assets to pay all its creditors. The majority of directors declare that the company is not being liquidated to defraud anyone. They convene a meeting of creditors to seek approval for voluntary liquidation. What is the minimum threshold of creditor approval required for the voluntary liquidation resolution to legally commence?
(A) Approval by creditors representing 51% in number of the total creditors.
(B) Approval by creditors representing two-thirds value of the company's debts.
(C) Approval by creditors representing 75% value of the operational debts only.
(D) Unanimous approval by all secured and unsecured creditors.

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(D) Bank Zeta must legally transfer its voting rights to the operational creditors for the duration of the resolution process.

Oct/Nov 2011

63. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct option.
Assertion (A): A Civil Court is strictly prohibited from granting any injunction against actions taken by the Adjudicating Authorities under the Insolvency and Bankruptcy Code.
Reason (R): The NCLT, NCLAT, DRT, and DRAT are designated as the exclusive adjudicating forums to achieve smooth functioning of the bankruptcy process, explicitly excluding civil court jurisdiction.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

64. "Titan Steel" enters liquidation. A bank holds a valid mortgage over Titan's factory building. The bank decides not to relinquish its security interest to the liquidation estate and instead chooses to enforce and sell the factory building under applicable laws to recover its dues. Which of the following is correct regarding the bank's chosen course of action under the liquidation framework?
(A) The bank can realize its security interest, and if any surplus amount is realized from the sale, it must be tendered to the liquidator.
(B) The bank is prohibited from doing this; all secured assets must forcefully become part of the liquidation estate.
(C) The bank can realize its security interest, and if there is a shortfall, the bank can claim the balance directly from the personal assets of the directors.
(D) The bank can realize its security interest, but doing so forfeits its right to claim any shortfall from the liquidation estate under any circumstances.

NODIA

Oct/Nov 2024

65. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct option.
Assertion (A): No application for initiation of corporate insolvency resolution process can ever be filed against a corporate debtor for a default occurring between 25th March 2020 and the end of the specified suspension period.
Reason (R): Section 10A was inserted into the Insolvency and Bankruptcy Code to permanently prohibit the initiation of corporate insolvency resolution processes for any defaults committed prior to 25th March 2020.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2017

66. "RetailMax Ltd" suffered business losses and defaulted on a major bank loan on May 15, 2020. In October 2020, the bank prepares to file an application to initiate Corporate Insolvency Resolution Process (CIRP) against RetailMax Ltd. How does the insertion of Section 10A into the Insolvency and Bankruptcy Code affect the bank's ability to initiate CIRP in this scenario?
(A) The bank can proceed normally since Section 10A only protects operational debtors and does not cover financial institutions.
(B) CIRP initiation is suspended for defaults arising on or after March 25, 2020, for the notified period.
(C) The bank is legally required to first offer a mandatory 6-month debt moratorium before filing the formal CIRP application.
(D) The bank can file the application but the NCLT is strictly prohibited from appointing any interim resolution professional.

Oct/Nov 2005

67. The Corporate Insolvency Resolution Process (CIRP) of "Gamma Industries" has reached its 175th day. The resolution professional realizes that the process cannot be concluded within the standard 180 days due to complex asset valuations. The Committee of Creditors

company has no debts or can pay them in full from its assets. Crucially, the declaration must affirm that the liquidation is not intended to defraud any persons, ensuring transparency and protecting the interests of creditors.

9. (B) Adjudicating disputes and passing binding legal orders on corporate debtors.
Information Utilities are central repositories designed to store and authenticate financial data related to corporate debtors. Their primary functions include collecting, collating, and disseminating information to creditors and insolvency professionals to streamline the process. They do not possess judicial powers and are not authorized to adjudicate disputes or issue binding legal orders during the resolution or liquidation.

10. (C) They serve as first level regulators maintaining professional standards and a code of ethics.
Insolvency Professionals function as the frontline managers of the insolvency process, handling the operations of the corporate debtor during resolution. They operate under the regulatory framework of Insolvency Professional Agencies, serving as first-level regulators. By adhering to a strict code of ethics and professional standards, they ensure that the resolution process is conducted fairly, transparently, and efficiently.

11. (D) The shortfall claim is paid by the liquidator but remains junior to the claims of unsecured creditors.
A secured creditor may choose to realize its security interest independently instead of relinquishing it to the liquidation estate. If the sale of the asset does not cover the entire debt, the remaining balance is treated as a shortfall claim. This unpaid portion is settled during the distribution process but is ranked lower than the claims of unsecured financial creditors.

12. (C) Within 45 days
The hierarchy of judicial forums ensures that aggrieved parties have opportunities to appeal decisions. Orders passed by the National Company Law Appellate Tribunal can be further challenged in the Supreme Court of India. The statutory timeframe for filing such an appeal is forty-five days from the date of the order, typically limited to substantial questions of law.

13. (A) A corporate debtor who completed a corporate insolvency resolution process 24 months preceding the date of the new application.
The regulatory framework prohibits certain entities from initiating new insolvency proceedings to prevent abuse of the legal process. While debtors currently undergoing liquidation or those who violated resolution plans are barred, a debtor who completed a process twenty-four months prior is eligible. The exclusion period for a corporate debtor who has previously completed a resolution process is only twelve months.

14. (C) A financial creditor can file an application for CIRP either by itself or jointly with other financial creditors.
Financial creditors have the legal authority to initiate the corporate insolvency resolution process upon the occurrence of a default. This application can be filed by a single financial creditor acting independently or by multiple financial creditors joining together in a single application. There is no requirement to obtain consent from operational creditors before proceeding with this formal legal action.

15. (C) It may grant an extension not exceeding 90 days, provided such extension shall not be granted more than once.
The corporate insolvency resolution process is designed to be time-bound, initially lasting for one hundred and eighty days. If the resolution professional requires more time, the adjudicating authority may grant an extension based on a committee resolution. This extension is capped at ninety days and can only be granted once, emphasizing the importance of a swift and efficient resolution.

16. (A) It is the legal declaration where the court liquidates an insolvent's personal property to pay creditors.
Insolvency is a financial condition of inability to pay debts, whereas bankruptcy is the specific legal status that follows. Bankruptcy involves a court-ordered process where an individual's assets are liquidated to satisfy creditors. It marks the formal transition from a state of financial distress to a legally supervised distribution of property, aiming to resolve the debtor's outstanding financial obligations.

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the National Company Law Tribunal, provide the legal forum for hearing cases. Finally, the Insolvency and Bankruptcy Board of India serves as the apex regulator, overseeing the standards and ethics of all professionals.

34. (D) I, II, III, and IV
Liquidation is triggered by several specific legal events during the resolution process. These include the failure to submit a resolution plan within the mandated timeline or the rejection of a plan by the tribunal. Additionally, if the creditors' committee decides to liquidate the debtor by a majority vote, or if the debtor contravenes an approved plan, the liquidation process commences.

35. (A) Only I
The insolvency code has a broad scope, covering various types of business entities and individuals. It specifically applies to companies incorporated under general company law and limited liability partnerships. While the code also contains provisions for individuals and partnership firms, these are often handled by different authorities. The primary application discussed in corporate contexts relates to entities registered under the Companies Act.

36. (A) Only I, II, IV, and V
An authorized representative is appointed to represent certain classes of financial creditors, such as bondholders or allottees. The interim resolution professional identifies the need and proposes a name to the adjudicating authority. Once appointed, this representative attends committee meetings and casts votes on behalf of the creditors in their class, ensuring their interests are adequately protected during the decision-making process.

37. (B) III, I, II
When an insolvency application is admitted, the adjudicating authority must immediately initiate several procedural steps. First, a moratorium is declared to pause all legal actions against the debtor. This is followed by a public announcement to inform stakeholders about the commencement of the process. Finally, an interim resolution professional is appointed to take charge of the debtor's management and financial affairs.

38. (B) Only II and III
Specific thresholds apply to real estate allottees who wish to initiate the resolution process. They cannot file individually; instead, the application must be filed jointly by at least one hundred allottees from the same project. Alternatively, it can be filed by ten per cent of the total number of allottees in that project, whichever number is lower than the one hundred threshold.

39. (B) Only I, II, and IV
Upon receiving a resolution application from a financial creditor, the authority has fourteen days to verify the existence of a default. If the application is complete and a default is proven, it is admitted. However, if the application is found to be incomplete, the authority must provide the applicant seven days to rectify any defects before making a final decision on rejection.

40. (D) A corporate debtor with a class of creditors or amount of debt notified by the Central Government.
The fast-track process is intended for specific categories of corporate debtors to ensure rapid resolution. Eligibility is determined based on criteria notified by the Central Government, such as the size of the company's assets or the total amount of outstanding debt. This mechanism allows smaller or less complex entities to complete the insolvency process much faster than the standard timeframe allows.

41. (A) Only I, II, III, and IV
Voluntary liquidation is available for corporate entities that are solvent and have no intention to defraud creditors. The process requires a majority of directors to declare the company's ability to pay debts in full. Following this, the company must pass a special resolution, which must then be approved by creditors holding at least two-thirds of the total debt value.

42. (B) P-4, Q-1, R-3, S-2
The National Company Law Tribunal serves as the adjudicating authority for corporate insolvency, while the Debt Recovery Tribunal handles cases for individuals. Appeals against the tribunal's orders are heard by the National Company Law Appellate Tribunal. The Supreme Court remains the final forum for appeals, but it only entertains cases that involve substantial

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25. (B) Creditors are permitted to file applications for defaults occurring during the suspension period after it expires.
Section 10A was introduced to provide temporary relief to businesses struggling with the impacts of a global pandemic. It suspended the initiation of the resolution process for defaults occurring during a specific period starting in March 2020. Crucially, any default arising within this suspension window is permanently protected from being used as a basis for initiating corporate insolvency proceedings later.

26. (D) A claim for the provision of goods, services, employment, or dues payable to government authorities.
Operational debt is a specific category of claim related to the daily business activities of a corporate debtor. It includes amounts owed for the supply of goods, the provision of professional services, and employment-related dues. Additionally, liabilities payable to the central or state governments, such as taxes or statutory dues, are classified as operational debt under the insolvency framework.

27. (A) Debt Recovery Tribunal (DRT)
The legal framework designates different adjudicating authorities based on the nature of the debtor. For corporate entities and limited liability partnerships, the National Company Law Tribunal is the relevant forum. However, insolvency and bankruptcy matters involving individuals and partnership firms are handled by the Debt Recovery Tribunal. This distinction ensures that the specific legal needs of different debtors are addressed.

28. (A) To maximize the value of the assets of the debtor in the interest of all stakeholders.
The primary goal of the insolvency code is to streamline the resolution of financial distress to promote entrepreneurship and credit availability. By providing a time-bound process, the framework aims to maximize the value of the debtor's assets for the benefit of all stakeholders. This approach focuses on business revival where possible, ensuring that liquidation is considered only as a last resort.

29. (C) A claim in respect of the provision of goods or services, including employment.
Financial debt is defined as any liability or obligation in respect of a claim which is disbursed against the consideration for the time value of money. This includes borrowed funds, amounts raised through credit facilities, and derivative transactions. Claims related to the supply of goods or services, including employment contracts, do not fall under this category and are instead classified as operational debt.

30. (D) It shall comprise all financial creditors of the corporate debtor.
The Committee of Creditors is a vital organ in the resolution process, responsible for making key decisions regarding the debtor's future. It is composed entirely of the financial creditors of the corporate debtor. While operational creditors may attend meetings if their aggregate debt is significant, they generally do not have voting rights, as the committee is designed to represent financial stakeholders.

31. (A) P-1, Q-2, R-3, S-4
The distribution of assets in liquidation follows a specific sequence. Resolution and liquidation costs receive the highest priority. Following these are workmen's dues and claims from secured creditors who relinquished their security. Unsecured financial creditors are placed in the fourth tier, while government dues and certain secured claims following enforcement are ranked in the fifth tier of the waterfall mechanism.

32. (C) Only I and III
The committee of creditors has the power to replace the interim resolution professional with a professional of their choosing. This decision requires a resolution passed by a sixty-six per cent majority of the voting share. Once the name is proposed, the adjudicating authority must forward it to the Insolvency and Bankruptcy Board for confirmation before the new appointment becomes legally final.

33. (A) P-3, Q-1, R-4, S-2
The insolvency framework rests on four key pillars that support its operations. Insolvency Professionals manage the process, while Information Utilities store and authenticate financial records. Adjudicating Authorities, like

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applicant to seek restructuring. Is Omega Tech Ltd entitled to make this application, and why?
(A) Yes, a corporate debtor can file for CIRP whenever it commits a new default that is verified to exceed the Rs. 1 Crore limit.
(B) Yes, provided the corporate debtor secures formal approval from at least 66% of its newly identified class of financial creditors.
(C) No, because under the Code only a financial or operational creditor can initiate CIRP, never the corporate applicant itself.
(D) No, because a corporate debtor completing CIRP within twelve months preceding the application is ineligible.

Oct/Nov 2008

73. "Innovate AI", a recognized tech start-up with limited assets, falls into debt default. The creditors wish to resolve the insolvency as swiftly as possible rather than going through the standard 180-day Corporate Insolvency Resolution Process (CIRP). They opt for the Fast Track Insolvency Resolution Process. If admitted under the Fast Track route, what is the absolute maximum timeframe within which the entire resolution process must be completed, assuming the maximum allowable extension is granted by the adjudicating authority?
(A) 90 days
(B) 135 days
(C) 180 days
(D) 330 days

May/June 2006

74. "Vendor A" provides logistics services to a corporate debtor and is owed Rs. 10 Lakhs (an operational debt). Vendor A legally assigns this operational debt to a non-banking financial company (NBFC), which primarily acts as a financial creditor in other transactions. The corporate debtor goes into Corporate Insolvency Resolution Process (CIRP). For the purposes of this specific Rs. 10 Lakhs debt, how will the NBFC be classified within the CIRP?
(A) It will be considered a financial creditor because of its primary corporate status as an NBFC.
(B) It will be entirely excluded from claiming the debt as operational debts are strictly non-assignable.
(C) It will be treated as an equity shareholder for the duration of the resolution process.
(D) It will be considered an operational creditor to the extent of the assigned legal transfer.

NODIA

Oct/Nov 2017

75. A real estate developer, "BuildWell Corp," has a housing project with 800 allottees. BuildWell Corp defaults on its commitments, and a group of allottees wishes to initiate the Corporate Insolvency Resolution Process (CIRP) as financial creditors. Based on the provisions for real estate allottees, what is the minimum statutory threshold of allottees from this specific project required to validly file the CIRP application together?
(A) Exactly 10 allottees
(B) At least 80 allottees
(C) At least 100 allottees
(D) At least 800 allottees

May/June 2008

76. During the first meeting of the Committee of Creditors (CoC) for "Zenith Corp," the financial creditors are dissatisfied with the Interim Resolution Professional (IRP), Mr. X. A resolution is proposed to replace Mr. X with Ms. Y as the new Resolution Professional. Creditors holding 60% of the voting share vote in favor of the replacement. Will the resolution to replace the IRP be legally effective based on this vote?
(A) Yes, because any decision in the CoC only requires a simple majority of 51%.
(B) Yes, because replacing an IRP does not require a vote; any dissenting creditor can unilaterally request a change.
(C) No, because replacing the IRP requires a unanimous 100% vote from all financial creditors.
(D) No, because resolving to replace the IRP requires a majority vote of not less than 66% of the voting share.

Oct/Nov 2013

77. An operational creditor files for Corporate Insolvency Resolution Process (CIRP) against a defaulting debtor but does not propose the name of an Interim Resolution Professional (IRP) in the application. The Adjudicating Authority admits the application. How many days does the Insolvency and Bankruptcy Board of India (IBBI) have to recommend the name of an insolvency professional after receiving the reference from the Adjudicating Authority?

and significant questions of law arising from the process.

43. (D) I, II, and III
To maintain the integrity of the resolution process, certain entities are legally barred from filing for insolvency. This includes corporate debtors currently undergoing a pre-packaged resolution or those who are already in the liquidation stage. Additionally, any debtor that has successfully completed a resolution process within the twelve months preceding the new application date is also ineligible to initiate the process.

44. (B) Only II
The interim resolution professional is appointed at the very start of the resolution process to manage the debtor's business. Their primary role is to maintain the status quo and constitute the creditors' committee. The tenure of this interim professional continues until the committee of creditors formally appoints a resolution professional, who may be the same person or a new appointee.

45. (D) I, II, III, IV, and V
The Insolvency and Bankruptcy Code provides a comprehensive framework that applies to a wide range of legal entities. This includes companies, limited liability partnerships, and partnership firms. Furthermore, the code extends its jurisdiction to individuals, including those acting as personal guarantors for corporate loans and those operating as sole proprietorships. This broad coverage ensures a uniform approach to resolving financial defaults.

46. (A) II, IV, I, III
In the liquidation waterfall, insolvency resolution and liquidation costs always hold the first priority. They are followed by workmen's dues for twenty-four months and secured creditors who gave up their security. Employee wages for the preceding twelve months are ranked next. Finally, financial debts owed to unsecured creditors are paid out, followed by government dues and other lower-priority claims in the sequence.

47. (D) I, II, III, and IV
Financial creditors in a consortium have multiple ways to exercise their rights within the committee of creditors. They may choose to represent themselves directly or authorize a trustee to act on their behalf. Alternatively, they can appoint an independent insolvency professional for representation. These options ensure that each creditor can participate and vote according to their specific share of the total debt.

48. (B) Real estate allottees: Not less than 100 allottees or 10% of the total, whichever is less.
Real estate allottees are categorized as financial creditors but must meet specific numerical thresholds to initiate the resolution process jointly. The law requires at least one hundred allottees from the same project to join together. Alternatively, if the project is smaller, the application remains valid if it is filed by at least ten per cent of the total number of project allottees.

49. (C) Only I and III
The fast-track process is designed to assist smaller enterprises and startups by providing a more efficient exit or restructuring route. It applies to debtors whose financial metrics, such as assets and income, fall below thresholds notified by the government. By reducing procedural timelines, it helps preserve the business value of these entities and ensures that resolution is achieved without unnecessary administrative delays.

50. (C) Both I and II
The fast-track insolvency process is intended to be completed within ninety days of admission. If the process requires more time due to its complexity, the resolution professional may request an extension. The adjudicating authority has the power to grant a single extension for a maximum of forty-five additional days, provided that the request is supported by a resolution of the creditors' committee.

51. (D) I, II, III, IV, and V
The waterfall mechanism for distributing liquidation proceeds includes several specific tiers of creditors. It starts with insolvency costs, followed by workmen's dues and then other employee wages. Unsecured financial debts are placed further down the list, followed by government taxes. The final portions of the proceeds, if any remain, are distributed to preference shareholders and lastly to the equity shareholders.

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CHAPTER 20

The Bankers' Books Evidence Act, 1891

Oct/Nov 2018

1. Under the definition of bankers' books, the records can be maintained in various forms. Which of the following is correct regarding the storage location of these records?
(A) They must exclusively be kept on site at the branch where the transaction occurred.
(B) They must be stored only at the Head Office of the respective banking institution.
(C) They are valid only if stored in a government-approved disaster recovery facility.
(D) They can be kept at any site, including back-up or disaster recovery locations.

May/June 2007

2. Why does Section 2A of the Bankers' Books Evidence Act, 1891 mandate a detailed certificate from the person in charge of the computer system when dealing with printouts?
(A) To relieve the bank manager of all legal liabilities related to the account.
(B) To prove that the bank uses the most expensive computer hardware available.
(C) To ensure the authenticity, integrity, and accurate retrieval of electronic records.
(D) To justify the destruction of all original physical documents after scanning.

Oct/Nov 2025

3. The Bankers' Books Evidence Act, 1891 extends to:
(A) The whole of India except the State of Jammu & Kashmir
(B) The whole of India
(C) Only the States that have established Commercial Courts
(D) The Union Territories only

May/June 2012

4. To prove the integrity of an electronic banking record, consider the following statements regarding the certificate under Section 2A of the Bankers' Books Evidence Act, 1891:
I. Safeguards against unauthorized data changes.
II. Mode of identification of data storage devices.
III. The financial cost of the computer hardware used.
Which of the above statements is/are correct?
(A) II and III only
(B) I and III only
(C) I and II only
(D) I, II, and III

Oct/Nov 2014

5. For a written bank record to be considered a 'Certified copy' under the Bankers' Books Evidence Act, 1891, consider the following statements regarding the certificate written at the foot of such copy:
I. It is a true copy of such entry.
II. The entry is contained in one of the ordinary books of the bank.
III. The entry was made in the ordinary course of business.
IV. The book is currently in the custody of a magistrate.
Which of the above statements is/are correct?
(A) I, II, and IV only
(B) I, II, and III only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2019

6. In which landmark Supreme Court case was it held that mere entries in books of accounts are not sufficient to make a person liable?
(A) ICICI Bank Ltd vs Kapil Dev Sharma
(B) Chandrahdar Goswami vs Gauhati Bank Ltd
(C) State Bank of India vs Vijay Mallya
(D) Reserve Bank of India vs Union of India

Oct/Nov 2006

7. The primary objective of The Bankers' Books Evidence Act, 1891 is to ensure that:
(A) Banks are required to produce original account books in all legal proceedings.

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61. (C) It must reject the application due to the pending disciplinary proceeding against the proposed resolution professional.
The adjudicating authority must ensure that the proposed resolution professional meets all eligibility criteria, including being free from disciplinary issues. If the professional proposed in an application has a pending disciplinary proceeding, the authority cannot admit it as is. In such cases, the authority must provide the applicant a notice to rectify this defect within seven days, failing which the application shall be rejected, as a clean professional record is mandatory for managing the debtor's sensitive affairs.

62. (A) Bank Zeta retains its full rights to represent, participate, and vote in the CoC despite being a related party.
Generally, related parties are excluded from voting in the creditors' committee to avoid conflicts of interest. However, a specific exemption applies to regulated financial institutions like banks. If a bank becomes a related party solely because it converted debt into equity during a previous restructuring, it retains its full rights to participate and vote in the committee during the resolution process.

63. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Specialized tribunals like the National Company Law Tribunal have exclusive jurisdiction over insolvency and bankruptcy proceedings to ensure a streamlined process. This exclusivity means that regular civil courts are barred from interfering or granting injunctions in matters handled by these authorities. This arrangement prevents jurisdictional conflicts and legal delays, facilitating the swift resolution or liquidation of the corporate debtor's assets.

64. (A) The bank can realize its security interest, and if any surplus amount is realized from the sale, it must be tendered to the liquidator.
A secured creditor has the option to enforce its security interest outside the liquidation estate. If the creditor chooses this path and realizes a surplus from the sale of the asset, that surplus must be returned to the liquidator. Conversely, if there is a shortfall, the creditor can still claim the remaining balance from the liquidation estate, though with a lower priority.

65. (C) Assertion (A) is true, but Reason (R) is false.
Section 10A was a temporary legislative measure designed to protect companies from insolvency filings during a period of extreme economic uncertainty. It prohibited the initiation of the resolution process for defaults occurring between March 2020 and the end of the specified period. However, this section did not permanently ban filings for defaults that occurred before this window, which remained eligible for action.

66. (B) CIRP initiation is suspended for defaults arising on or after March 25, 2020, for the notified period.
The introduction of Section 10A specifically targeted defaults that occurred during the peak of the global pandemic. Any default arising on or after March 25, 2020, for the notified period, cannot be used as a basis for initiating the corporate insolvency resolution process. This protection applies to both financial and operational creditors, ensuring that businesses were not penalized for unavoidable financial distress.

67. (C) No, because any extension of the CIRP period shall not be granted more than once.
The corporate insolvency resolution process is strictly time-bound and designed to avoid indefinite delays. While an initial extension of up to ninety days can be granted by the adjudicating authority, the law specifies that such an extension can only be granted once. Therefore, even if the creditors request more time later, the authority is prohibited from granting any subsequent or second extensions.

68. (D) Assertion (A) is false, but Reason (R) is true.
Specific employee-related funds, such as the gratuity fund, pension fund, and provident fund, are given special protection during liquidation. These assets are explicitly excluded from the liquidation estate, meaning they cannot be used to pay off general creditors. Instead, these sums are held in trust for the employees, ensuring that their long-term benefits are preserved regardless of the company's insolvency.

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V. A further certificate from the person in charge of the computer system that the system was operated properly at the material time.

Which combination of statements accurately reflects the required certificates?

(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2014

14. Consider the following requirements for a 'certified copy' under the Bankers' Books Evidence Act, 1891. All of the following conditions must be explicitly stated in the certificate attached to a written copy of an entry to qualify as a 'certified copy', EXCEPT:

(A) That the entry is contained in one of the ordinary books of the bank.
(B) That the entry was made in the ordinary course of business.
(C) That the copy was verified by an independent external auditing firm.
(D) That the original book is still in the custody of the banking entity.

Oct/Nov 2007

15. A certified copy of an entry in a bankers' book shall be admissible as evidence of the matters, transactions, and accounts therein recorded:

(A) Only if the transaction amount exceeds Rs. 1,000,000.
(B) Only in civil proceedings, completely excluding criminal investigations.
(C) Only when the bank is a direct party to the lawsuit.
(D) In every case, to the exact same extent as the original entry itself.

May/June 2025

16. The Bankers' Books Evidence Act, 1891 was enacted to amend which of the following existing laws?

(A) The Law of Evidence
(B) The Banking Regulation Act
(C) The Code of Criminal Procedure
(D) The Negotiable Instruments Act

Oct/Nov 2019

17. The certificate by the person in charge of the computer system under the Bankers' Books Evidence Act, 1891 must contain a brief description of the computer system and several particulars. Which of the following is NOT one of those required particulars?

(A) The exact source code of the banking software used for processing the data.
(B) The safeguards adopted to prevent and detect any tampering with the system.
(C) The mode of verification to ensure data has been accurately transferred to removable media.
(D) The safeguards available to retrieve data lost due to systemic failure.

May/June 2009

18. Consider the following statements regarding the definition of 'Legal proceeding' under the Bankers' Books Evidence Act, 1891:

I. It includes any investigation or inquiry under the Code of Criminal Procedure, 1973 conducted by a police officer.
II. It includes any investigation conducted by any person authorized for the purpose by a magistrate, even if such person is a magistrate themselves.

Which of the statements is/are correct?

(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2011

19. Among the various safeguards to be described in the certificate for computer system printouts under the Bankers' Books Evidence Act, 1891, which of the following is crucial for addressing potential system crashes?

(A) The safeguards adopted to ensure data is entered only by authorized personnel.
(B) The safeguards to prevent and detect unauthorized change of data.
(C) The arrangement for the storage and custody of storage devices.
(D) The safeguards available to retrieve data lost due to systemic failure.

May/June 2010

20. The following case involves the destruction of bank records: XYZ Bank maintained its customer accounts in traditional physical ledgers. In 2021, the bank took certified copies of these ledgers

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days of receiving the formal reference from the adjudicating authority to avoid delays.

78. (D) Assertion (A) is false, but Reason (R) is true.
The resolution process must continue without interruption, even if there are delays in confirming a new professional. If the regulatory board fails to confirm the committee's proposed resolution professional within ten days, the law provides a fallback. The adjudicating authority will order the existing interim resolution professional to continue performing their duties until the appointment of the new professional is finally confirmed.

79. (B) He will be included in the CoC as a financial creditor with a voting share proportionate only to his Rs. 2 Crores financial debt.
A creditor who holds both financial and operational debt is treated based on the specific nature of each claim. For the purposes of the committee of creditors, the creditor is included only to the extent of their financial debt. Their voting share is calculated solely based on the value of the financial debt, while the operational debt portion does not grant any voting.

80. (B) Approval by creditors representing two-thirds value of the company's debts.
Commencing voluntary liquidation requires high-level consensus among the company's stakeholders. After the directors provide a declaration of solvency and the shareholders pass a resolution, the company's creditors must also provide their approval. This requires a resolution supported by creditors who represent at least two-thirds in value of the company's total outstanding debt, ensuring that the liquidation has significant creditor support.

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52. (A) P-3, Q-1, R-4, S-2
The insolvency process follows strict timelines to ensure efficiency. The authority has fourteen days to verify a default, while an applicant is given seven days to fix application defects. The standard resolution process lasts one hundred and eighty days from admission. Finally, a mandatory overall limit of three hundred and thirty days is set to conclude all proceedings, including extensions and legal challenges.

53. (D) Approving the withdrawal of an admitted application : Not less than 75 per cent
Different decisions within the creditors' committee require specific voting thresholds to be legally valid. While general decisions require fifty-one per cent and replacing a professional requires sixty-six per cent, the withdrawal of an application is subject to a much higher standard. To withdraw an admitted application, a voting share of not less than ninety per cent is required to protect all stakeholders.

54. (A) Only I, II, and III
Regulated financial creditors who are related parties can retain their voting rights under specific conditions. This occurs if their related party status arose solely from converting debt into equity shares. This transaction must have been completed before the insolvency commencement date. These conditions ensure that legitimate financial institutions are not unfairly excluded from the decision-making process due to previous debt restructuring efforts.

55. (A) Only I and II
When a financial creditor files for insolvency, they must provide specific documents to support their claim. This includes a verified record of the default from an information utility or other admissible evidence. Additionally, the applicant must propose the name of a qualified insolvency professional to serve as the interim resolution professional, ensuring that the management of the debtor is immediately handed over.

56. (A) P-3, Q-1, R-2, S-4
Insolvency is the state of being unable to pay debts, while bankruptcy is the formal legal declaration of that state. Operational debt arises from the supply of goods or services, including employment-related claims. In contrast, financial debt refers to liabilities involving the disbursement of funds for the time value of money, typically including interest-bearing loans and other similar financial transactions and credit facilities.

57. (B) Only I, II, III, and V
The definition of financial debt is broad, covering various transactions where money is raised for its time value. This includes traditional loans, amounts raised through credit facilities, and liabilities under finance or capital leases. Derivative transactions intended to hedge against rate or price fluctuations are also included. However, debts related to the provision of goods or services are excluded from this category.

58. (A) Appeal from NCLAT to Supreme Court : Within 90 days
Appellate timelines are strictly defined to ensure the resolution process remains efficient. Appeals from the National Company Law Tribunal to the appellate tribunal must be filed within thirty days. However, the period for filing an appeal from the appellate tribunal to the Supreme Court is forty-five days, not ninety. This shorter window emphasizes the importance of concluding insolvency matters without protracted legal delays.

59. (D) I, II, III, and IV
The institutional infrastructure of the insolvency regime is built upon four foundational pillars. These include the Insolvency Professionals who manage the process and the Information Utilities that store financial data. The Adjudicating Authorities, comprising the tribunals, provide the legal framework for hearing cases. Overseeing all these elements is the Insolvency and Bankruptcy Board of India, which serves as the principal regulator.

60. (C) Both I and II
The insolvency framework for corporate entities is structured into two distinct and sequential stages. First, the resolution process attempts to find a way to restructure and revive the business. If no viable resolution plan is approved within the mandatory timeframe, or if the creditors choose to wind down the business, the second stage, which is formal liquidation, is automatically triggered.

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(B) Certified copies of accounts are considered sufficient proof for legal purposes.
(C) Banks are granted total exemption from providing any evidence of accounts in court.
(D) Original account books are transferred to the permanent custody of the Tribunal.

May/June 2021

8. If the books of a bank are maintained in the electronic form under the Bankers' Books Evidence Act, 1891, a 'certified copy' consists of:
(A) Handwritten transcripts derived from the electronic database.
(B) Printouts from any electromagnetic storage device or copies thereof.
(C) Direct remote access credentials provided to the presiding officer.
(D) Photographic captures of hardware displays illustrating the data.

Oct/Nov 2010

9. The following case involves a certificate for electronic records: Mr. A, the person in charge of the computer system at DEF Bank, generates a printout of an electronic ledger for a court case. He signs a certificate detailing system safeguards, media transfer, and storage custody. However, the court rejects the printout as incomplete evidence under Section 2A of the Bankers' Books Evidence Act, 1891.
What crucial further certification did Mr. A most likely omit?
(A) A certificate stating that the original electronic storage devices have been permanently destroyed.
(B) A certificate stating the computer system was operated properly at the material time.
(C) A certificate from the branch manager validating Mr. A's employment at the bank.
(D) A certificate from the software vendor guaranteeing the software's infallibility.

May/June 2005

10. Match the term with its specific definition under the Bankers' Books Evidence Act, 1891:
(A) Court - A judge of a High Court
(B) Judge - A person or persons before whom a legal proceeding is held
(C) Trial - Any hearing before the Court at which evidence is taken
(D) Legal proceeding - Strictly limited to arbitrations and ignores police investigations

Oct/Nov 2022

11. According to the Supreme Court's ruling in Chandrahdar Goswami vs Gauhati Bank Ltd., under what specific circumstance are mere entries in the books of accounts sufficient to make a person liable without further evidence of payment?
(A) When the certified copy is signed by the Managing Director of the bank.
(B) When the account has been classified as a Non-Performing Asset.
(C) When the entries are maintained in an electronic format.
(D) When the person accepts the correctness of the books of accounts.

May/June 2018

12. Consider the following statements regarding the definition of 'Bank' and 'banker' under the Bankers' Books Evidence Act, 1891:
I. Any company or corporation carrying on the business of banking.
II. Any partnership or individual to whose books the provisions of the Act are made applicable.
III. Any post office savings bank or money order office.
Which of the above statements is/are correct?
(A) I and II only
(B) II and III only
(C) I, II, and III
(D) I and III only

Oct/Nov 2016

13. Under Section 2A of the Bankers' Books Evidence Act, 1891, when books of the bank are not handwritten and copies are taken by way of printout, the copy must be accompanied by certain certificates. Consider the following certificates:
I. A certificate by the principal accountant or manager that it is a printout of such entry.
II. A certificate by a person in charge of the computer system detailing safeguards adopted to prevent unauthorized change of data.
III. A certificate by a person in charge of the computer system detailing the mode of verification for data transfer to removable media.
IV. A certificate from the local police confirming the safety of the computer system.

NODIA

69. (C) The approval of the committee of creditors with a ninety per cent voting share.
The withdrawal of an admitted insolvency application is a significant step that requires a very high level of agreement within the committee of creditors. Because the process becomes collective once admitted, the applicant cannot withdraw it unilaterally. The approval of the Committee of Creditors is mandatory, and it must be passed by a majority vote of at least ninety per cent of the total voting share.

70. (C) The Workmen's dues for the last 24 months.
The waterfall mechanism for distributing liquidation proceeds follows a very specific order of priority. The very first claims to be settled are the costs related to the insolvency resolution and the liquidation process itself. Once these are fully paid, the next category in line for payment is the dues owed to workmen for the twenty-four months preceding the commencement of liquidation.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Information Utilities play a crucial role in reducing disputes by maintaining an authenticated electronic record of financial transactions. Because they collect and verify data before any default occurs, they provide undisputed evidence of debt and default when insolvency proceedings are initiated. This pre-authenticated information significantly accelerates the admission of applications and ensures that the resolution process starts without unnecessary delays.

72. (D) No, because a corporate debtor completing CIRP within twelve months preceding the application is ineligible.
A corporate debtor that has recently completed a resolution process is barred from initiating a new one for a specified period. This cooling-off period lasts for twelve months from the date the previous resolution plan was implemented. This restriction prevents companies from repeatedly using the insolvency framework to restructure their debts and ensures that the approved resolution plans are given time.

73. (B) 135 days
The fast-track insolvency process is designed for speed, with an initial timeline of ninety days. If the process is complex, an extension of up to forty-five days may be granted by the adjudicating authority. When this extension is added to the original period, the absolute maximum timeframe for completing the entire fast-track process becomes one hundred and thirty-five days from admission.

74. (D) It will be considered an operational creditor to the extent of the assigned legal transfer.
An operational debt remains operational in nature even if it is assigned or transferred to another party. Therefore, if a financial institution like an NBFC acquires an unpaid invoice from a supplier, it steps into the shoes of that supplier for that specific debt. In the subsequent insolvency proceedings, the NBFC will be treated as an operational creditor for that claim.

75. (B) At least 80 allottees
Real estate allottees must meet specific minimum thresholds to jointly file an insolvency application against a developer. The law requires at least one hundred allottees or ten per cent of the total number of allottees in a project, whichever is less. For a project with eight hundred allottees, ten per cent equals eighty, which is the valid threshold as it is lower.

76. (D) No, because resolving to replace the IRP requires a majority vote of not less than 66% of the voting share.
Replacing the interim resolution professional is a significant decision that requires a high level of agreement within the committee of creditors. The statutory requirement for this specific resolution is a majority vote of at least sixty-six per cent of the voting share. Since a sixty per cent vote does not meet this mandatory threshold, the proposal to replace the professional cannot be approved.

77. (B) Within 10 days
If an operational creditor does not propose a name for the interim resolution professional, the authority must seek a recommendation from the regulator. The Insolvency and Bankruptcy Board of India is then required to provide the name of a qualified insolvency professional. This recommendation must be made within ten

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and subsequently destroyed the physical books during the usual course of its business.
When the certified copies are presented in court, what specific documentary requirement must be fulfilled regarding the destruction of the original books?
(A) A certificate stating the destruction occurred during the usual course of business.
(B) A certificate confirming the bank has no intentions of ever restoring physical ledgers.
(C) A certificate from the local police station documenting the disposal of bank assets.
(D) A certificate stating the bank has successfully reconstructed all destroyed records.

Oct/Nov 2024

21. The following case involves a loan recovery suit: Gauhati Bank Ltd files a suit against Mr. X for the recovery of a loan. The bank submits only the certified copies of Mr. X's statement of accounts, showing an outstanding balance of Rs. 5 Lakhs. Mr. X disputes this amount.
Relying on the precedent set in Chandrahdar Goswami vs Gauhati Bank Ltd., what is the court most likely to require from the bank?
(A) The court will hold Mr. X liable immediately based solely on the certified copies.
(B) The court will dismiss the case because certified copies have no evidentiary value.
(C) The court will require evidence proving the actual payment of money to Mr. X.
(D) The court will order the bank to rewrite the physical ledgers in a magistrate's presence.

May/June 2017

22. As per the definition of "Bankers' books" in the Bankers' Books Evidence Act, 1891, which of the following records are included?
(A) Only handwritten ledgers and day books maintained by the branch staff.
(B) Ledgers, day books, and all records used in the ordinary bank business.
(C) Only electronic data stored at specifically designated off-site locations.
(D) Strictly those records that are presented during a criminal investigation.

Oct/Nov 2005

23. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The scope of the word 'trial' is considered much wider when read in conjunction with the definitions of 'legal proceeding' and 'Court'.
Reason (R): 'Legal proceeding' includes arbitrations, police investigations, and inquiries, and 'Court' includes any person before whom such proceeding is held.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2020

24. Consider the following statements regarding the transfer of data to removable media under Section 2A of the Bankers' Books Evidence Act, 1891:
I. The certificate must describe the manner in which the data is transferred from the system to removable media like floppies, discs, or tapes.
II. The certificate must also detail the mode of identification of such data storage device.
Which of the above statement(s) is/are correct?
(A) I only
(B) II only
(C) Neither I nor II
(D) Both I and II

Oct/Nov 2015

25. Match the form of records with the nature of the certified copy under the Bankers' Books Evidence Act, 1891. Which of the following pairs is incorrect?
(A) Written form - A copy of any entry together with a certificate written at the foot of such copy.
(B) Electronic form - An uncertified screenshot of the account ledger sent to investigators.
(C) Electronic form - Printouts of data stored in a floppy, disc, or tape with the applicable certificates.
(D) Mechanical form - A printout from a microfilm or magnetic tape with the applicable certificates.

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May/June 2013

26. Regarding the definition of "Company" and "Corporation" under the Bankers' Books Evidence Act, 1891, which of the following statements is incorrect?

(A) 'Company' includes a foreign company within the meaning of the Companies Act.

(B) 'Company' means a company defined in Section 3 of the Companies Act, 1956.

(C) 'Corporation' includes the Reserve Bank of India and the State Bank of India.

(D) 'Corporation' is strictly limited to bodies established under the Banking Act.

Oct/Nov 2021

27. Under the Bankers' Books Evidence Act, 1891, what is the evidentiary value of a certified copy of any entry in a bankers' book in legal proceedings?

(A) It is received as prima facie evidence of the existence of such entry.

(B) It is considered conclusive proof that cannot be challenged.

(C) It is considered secondary evidence requiring the immediate production of the original.

(D) It is inadmissible unless corroborated by a physical witness from the bank.

May/June 2024

28. The following case involves an investigative procedure: Inspector Sharma is conducting an investigation under the Code of Criminal Procedure, 1973. He demands certified copies of certain bank entries from ABC Bank. The Bank manager hesitates, claiming the investigation is not a formal court trial.

Based on the Bankers' Books Evidence Act, 1891, which of the following is the most appropriate action for the Bank manager?

(A) Provide the copies as investigations qualify as legal proceedings.

(B) Refuse the request since police investigations are excluded from this definition.

(C) Seek an explicit judicial directive from a High Court Judge prior to compliance.

(D) Only provide original books as copies are restricted to formal civil actions.

Oct/Nov 2008

29. Match the specific requirements under Section 2A (List I) with their corresponding objectives (List II) as per the Bankers' Books Evidence Act, 1891:

List I: Requirements under Section 2A

P. Safeguards for data entry

Q. Mode of verification

R. Arrangement for storage

S. Any other factor

List II: Corresponding Objectives

1. To vouch for the integrity and accuracy of the system
2. To ensure data has been accurately transferred to removable media
3. To ensure operations are performed only by authorized persons
4. To secure the custody of data storage devices

(A) P-1, Q-4, R-2, S-3

(B) P-3, Q-1, R-4, S-2

(C) P-3, Q-2, R-4, S-1

(D) P-4, Q-2, R-3, S-1

May/June 2006

30. Who is authorized to sign the certificates required for a 'certified copy' under the Bankers' Books Evidence Act, 1891?

(A) The Bank's internal auditor or compliance officer.

(B) Any clerical staff handling the records.

(C) The legal counsel of the bank.

(D) The principal accountant or manager of the bank.

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Oct/Nov 2017

31. In a legal proceeding where the bank is not a party, an officer of the bank shall not be called as a witness to prove the matters, transactions, and accounts recorded in the certified copies, EXCEPT:

(A) When the amount in question exceeds the bank's internal limits.

(B) When the opposing counsel specifically demands it.

(C) By a special order of the Court for special cause.

(D) When the certified copy is missing a single signature.

May/June 2008

32. Arrange the procedural steps for the inspection of bankers' books under Section 6 of the Bankers' Books Evidence Act, 1891 in the correct chronological sequence:

1. The Court makes an order for the bank to

prepare and produce certified copies.
2. The order is served on the bank three clear days before it is to be obeyed.
3. A party to a legal proceeding makes an application to the Court.
4. The bank produces the certified copies accompanied by a certificate that no other relevant entries exist.

(A) 3, 1, 2, 4
(B) 1, 3, 2, 4
(C) 3, 2, 1, 4
(D) 2, 3, 1, 4

Oct/Nov 2013

33. Under the Bankers' Books Evidence Act, 1891, the term "Court" is defined as:
(A) Only the Supreme Court of India.
(B) The person or persons before whom a legal proceeding is held or taken.
(C) A specialized tribunal established exclusively for banking frauds.
(D) Any police officer conducting an investigation under the Code of Criminal Procedure.

May/June 2015

34. The following case involves a conflict of orders: A party to a legal proceeding obtains an order from a Judge requiring ABC Bank to produce copies of specific entries. The bank believes that producing these copies would violate a prior injunction from a higher court.
According to Section 6(3) of the Bankers' Books Evidence Act, 1891, what is the appropriate course of action for the bank?
(A) Refuse the order verbally to the party seeking inspection.
(B) Immediately destroy the records to prevent contempt of the higher court.
(C) File a counter-suit against the party for harassment.
(D) Give notice of their intention to show cause against such order.

Oct/Nov 2012

35. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Insistence on filing original documents when documents are not disputed causes enormous delay in the adjudication of commercial disputes.
Reason (R): The Delhi High Court remarked that it should not be easy for any party to dispute documents which actually relate to it and bear proper signatures.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2011

36. An order under Section 6 of the Bankers' Books Evidence Act, 1891 may command the bank to:
I. Allow a party to inspect entries in a banker's book.
II. Allow a party to take copies of any entries.
III. Prepare and produce certified copies of all such entries within a specified time.
IV. Confiscate the personal assets of the defaulting customer.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, II, and IV only
(D) I, III, and IV only

Oct/Nov 2020

37. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Certified copies of bankers' books are received as prima facie evidence of the matters and transactions recorded therein.
Reason (R): Mere presentation of these certified entries is always sufficient in itself to establish financial liability on a borrower, regardless of their dispute.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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ANSWERS

1. (D) They can be kept at any site, including back-up or disaster recovery locations.
The legal definition of bankers' books allows for flexibility in storage methods. Records are not restricted to the branch level or head office. They remain valid and admissible even if stored at remote sites, including back-up servers or specialized disaster recovery facilities. This ensures data availability and business continuity in the modern banking environment.

2. (C) To ensure the authenticity, integrity, and accurate retrieval of electronic records.
Section 2A mandates a comprehensive certificate for electronic records to establish a reliable chain of custody. This requirement guarantees that digital printouts are authentic representations of the original data. By verifying system integrity and accurate retrieval processes, the law prevents tampering and ensures that electronic evidence is trustworthy and admissible in legal proceedings.

3. (B) The whole of India
The Bankers' Books Evidence Act, 1891, is a central legislation that applies to the entire territory of India. It standardizes the procedure for presenting bank records as evidence in courts across all states and union territories. Following legal amendments, there are no longer any geographic exclusions, ensuring uniform application of banking evidence rules nationwide.

4. (C) I and II only
The certificate required for electronic records focuses on the security and identification of data. It must explicitly detail the safeguards used to prevent unauthorized modifications to the system and describe the specific devices used for data storage. Financial costs associated with computer hardware are irrelevant to the legal integrity or the admissibility of the actual electronic records.

5. (B) I, II, and III only
For a bank record to qualify as a certified copy, the attached certificate must confirm several specific conditions. It must state that the copy is a true reproduction, the entry belongs to the bank's ordinary books, and the transaction was recorded during regular business operations. The physical location of the original book with a magistrate is not required.

6. (B) Chandrahdar Goswami vs Gauhati Bank Ltd
The Supreme Court clarified in this specific judicial precedent (Chandradhar Goswami vs Gauhati Bank Ltd) that mere entries in accounting books cannot establish liability on their own. While such records are admissible evidence, they must be supported by additional proof of transaction or payment. This principle protects individuals from being held liable based solely on a bank's internal records without corroborating evidence.

7. (B) Certified copies of accounts are considered sufficient proof for legal purposes.
This legislation aims to simplify legal procedures by allowing banks to provide certified copies instead of producing original physical books in court. This prevents the disruption of daily banking operations that would occur if original ledgers were frequently removed. It establishes these copies as prima facie evidence, making the judicial process more efficient for all parties.

8. (B) Printouts from any electromagnetic storage device or copies thereof.
When banking records are stored digitally, a certified copy takes the form of printouts derived from electromagnetic storage media. These include data retrieved from discs, tapes, or hard drives. To be legally valid, these printouts must be accompanied by specific certificates verifying the accuracy of the output and the integrity of the underlying computer system.

9. (B) A certificate stating the computer system was operated properly at the material time.
Section 2A requires a specific declaration regarding the operational status of the computer system. The person in charge must certify that the system was functioning properly during the

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1891, what specific "further certificate" must accompany these copies?
(A) A certificate confirming that the bank has paid all applicable court fees.
(B) A certificate that no other relevant entries exist in the bank's books.
(C) A certificate confirming that the original books have been locked in the bank's vault.
(D) A certificate from the branch manager detailing their personal knowledge of the dispute.

May/June 2007

44. Consider the following statements drawn from the Bankers' Books Evidence Act, 1891 and related case law:
I. No officer of a bank shall be compellable to produce any bankers' book in a proceeding where the bank is not a party.
II. Even in suits filed by the bank for recovery, original documents must always be produced.
III. The Court may order a bank officer to be called as a witness for special cause, even if the bank is not a party.
Which of the above statements is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I and III only

Oct/Nov 2025

45. Match the action with the relevant entity under Section 6 of the Bankers' Books Evidence Act, 1891:
(A) Application for inspection - The Bank
(B) Offer to produce books at trial - The party to the legal proceeding
(C) Order to prepare and produce copies - The Court or a Judge
(D) Specifying time in the order - The Principal Accountant

May/June 2012

46. Consider the following statements regarding the mode of proof of certain entries under the Bankers' Books Evidence Act, 1891:
I. A certified copy is admissible as evidence in every case as the original entry itself.
II. A certified copy serves as prima facie evidence of the existence of the entry.
III. Mere entries in books are sufficient to make a person liable even if they dispute it, provided the books are kept in the regular course of business.
IV. Further evidence is needed to prove payment of money to make a person liable, unless the person accepts the correctness of the books.
Which of the above statements is/are correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2014

47. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): An order under Section 6 for inspection of books must strictly be made only after summoning the bank to Court.
Reason (R): The Bankers' Books Evidence Act, 1891 allows an order to be made either with or without summoning the bank.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2019

48. According to Section 5 of the Bankers' Books Evidence Act, 1891, the general rule regarding the appearance of a bank officer as a witness to prove transactions recorded in certified copies (when the bank is not a party) is that:
(A) The officer must mandatorily appear to authenticate the copies.
(B) The officer is not called as a witness unless ordered for special cause.
(C) Only the principal accountant can be called as a witness.
(D) The officer must appear only if the legal proceeding is an arbitration.

Oct/Nov 2006

49. Consider the following statements concerning the service of an order under Section 6 of the Bankers' Books Evidence Act, 1891:

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II. A bank can never be ordered to pay costs unless it is a primary defendant in the suit.
III. The court passing the order has the power to enforce its own orders concerning costs.

Which of the above statements is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2010

62. Consider the following statements regarding the elements that must be included in the certificate by the person in charge of the computer system under Section 2A of the Bankers' Books Evidence Act, 1891:
I. Safeguards adopted to ensure data entered is only by authorized persons.
II. The financial depreciation schedule of the data storage devices.
III. Safeguards available to retrieve data lost due to systemic failure.
IV. The mode of identification of the data storage device.
V. Any other factor which will vouch for the integrity and accuracy of the system.

Which combination is correct?
(A) I, III, IV, and V only
(B) I, II, III, and IV only
(C) II, III, IV, and V only
(D) I, II, IV, and V only

Oct/Nov 2024

63. Regarding the costs of application under Section 7 of the Bankers' Books Evidence Act, 1891, which of the following statements is incorrect?
(A) Enforcement of costs against a bank requires it to be a formal party to the suit.
(B) The costs of any application to the court are in the discretion of the court.
(C) The court may order costs to be paid by the bank if incurred due to the bank's fault.
(D) The court that passed the order awarding costs also has the powers to enforce its own orders.

May/June 2017

64. Which of the following statements are true regarding the principles of the Bankers' Books Evidence Act, 1891?
I. The Act amends the Law of Evidence with respect to bankers' books.
II. Certified copy is prima facie evidence and admissible as if the original is produced.
III. Electronic records require specific certificates from the person in charge of the computer system.
IV. A bank officer must always testify in civil suits involving their branch's clients.
V. The court has discretion to award costs for any application under the Act.

Which combination is correct?
(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2005

65. Consider the following statements regarding the Costs of Application under Section 7 of the Bankers' Books Evidence Act, 1891:
I. The costs of any application under the Act shall be in the discretion of the court.
II. Costs may be ordered against the bank if there is improper delay on the part of the bank.
III. Any order for cost can only be executed by the Supreme Court.

Which of the above statements is/are correct?
(A) II and III only
(B) I and III only
(C) I and II only
(D) I, II, and III

May/June 2020

66. When a certified copy is produced in electronic form (printout), the Bankers' Books Evidence Act, 1891 requires specific certifications. Arrange the logical sequence of conditions that establish the validity of the printout under Section 2A:
1. Certificate by principal accountant that it is a printout of the entry.
2. Certificate detailing safeguards adopted to prevent unauthorized change of data.
3. Description of the manner in which data is transferred to removable media.
4. Further certificate that the computer system was operated properly at the material time.

(A) 1, 2, 3, 4
(B) 2, 1, 4, 3
(C) 1, 3, 2, 4
(D) 4, 2, 3, 1

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(C) The certified copies must be accompanied by a further certificate stating no other relevant entries are to be found in the bank's books.
(D) The bank must be given three clear days to obey the order, unless directed otherwise.

May/June 2014

56. Match the legal element with its characteristic under the Bankers' Books Evidence Act, 1891. Which of the following pairs is incorrect?
(A) Liability solely on mere entries - Always established if the bank presents a certified copy.
(B) Original entry - Admissible as evidence of transactions recorded.
(C) Certified copy - Admissible in every case as the original entry itself.
(D) Regular course of business - Condition under which books must be kept to be considered under the Goswami case.

Oct/Nov 2007

57. The following case involves a disruption of operations: M/s Alpha Tech is involved in a contractual dispute with a vendor. The court orders Beta Bank to produce copies of Alpha Tech's transactions by Friday. The bank realizes that compiling these extensive records will take at least two weeks and forcing it by Friday will severely disrupt ordinary operations.
According to the provisions of Section 6(3) of the Bankers' Books Evidence Act, 1891, what valid legal recourse does Beta Bank have before Friday?
(A) Beta Bank can give notice of intention to show cause against the order.
(B) Beta Bank can completely ignore the order as it is not a party to the dispute.
(C) Beta Bank can unilaterally declare the requested records as classified and refuse.
(D) Beta Bank must pay the disputed amount to the vendor to settle the matter.

May/June 2025

58. In the case of ICICI Bank Ltd vs Kapil Dev Sharma (RFA 299/2015), the Delhi High Court held that:
(A) Original documents need not be produced in court unless they are disputed.
(B) Original documents must be submitted in every debt recovery suit by a bank.
(C) Bank officers are granted permanent immunity from all court appearances.
(D) Only electronic records are valid for the legal recovery of outstanding dues.

Oct/Nov 2019

59. Under Section 6 of the Bankers' Books Evidence Act, 1891, a Court may issue an order to a bank for inspection and copying of entries. Which of the following is NOT a valid provision related to this order?
(A) It may be made either with or without summoning the bank.
(B) It must be served three clear days (exclusive of bank holidays) before obedience is required.
(C) It must be served exclusively by a police officer above the rank of Inspector.
(D) The bank may offer to produce their books at the trial before the time limited for obedience.

May/June 2009

60. Match the legal scenarios (List I) with their corresponding outcomes or rules (List II) under the Bankers' Books Evidence Act, 1891:
List I: Legal Scenarios
P. Bank is not a party to the proceeding
Q. Documents on record are undisputed in a recovery suit
R. Court identifies a 'special cause'
S. Party disputes documents relating to it with proper signatures
List II: Outcomes or Rules
1. Officer of the bank may be called as a witness
2. Original documents need not be produced
3. Officer not compellable to produce original books
4. Adjudication process faces enormous delay if originals are insisted upon
(A) P-1, Q-4, R-3, S-2
(B) P-3, Q-2, R-1, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

Oct/Nov 2011

61. Consider the following statements about the powers related to costs under Section 7 of the Bankers' Books Evidence Act, 1891:
I. Costs of anything done under an order of the court are at the discretion of the court.

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P. Section 2A
Q. Section 5
R. Section 6
S. Section 7

List II: Core Provision

1. Costs of Application
2. Conditions in the printout for electronic records
3. Inspection of books by order of Court or Judge
4. Case in which Officer of bank not compellable to produce books

(A) P-1, Q-2, R-4, S-3
(B) P-3, Q-1, R-2, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-2, Q-4, R-3, S-1

Oct/Nov 2017

73. Consider the following statements regarding Legal Proceedings and the production of books under the Bankers' Books Evidence Act, 1891:

I. A legal proceeding includes an arbitration.
II. A legal proceeding includes an investigation under the Code of Criminal Procedure conducted by a police officer.
III. In proceedings where the bank is not a party, the bank officer is compellable to produce original books.
IV. The Court may order a bank officer to be a witness for special cause.
V. A bank can be summoned under Section 6 with three clear days' notice to produce copies.

Which combination of statements is correct?

(A) I, III, IV, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, and IV only

May/June 2008

74. What is the core evidentiary characteristic of a "Certified Copy" under the Bankers' Books Evidence Act, 1891?

(A) It is considered an original handwritten document signed by a magistrate.
(B) It is a completely unverified printout used only for internal bank audits.
(C) It is a physical ledger bound in leather and sealed by the Reserve Bank of India.
(D) It is prima facie evidence admissible as if the original were produced.

NODIA

Oct/Nov 2013

75. The following case involves administrative negligence: In a legal proceeding between two companies, a court orders JKL Bank to produce certified copies of specific transactions. The bank, due to internal administrative negligence, delays the production of these copies by three months, causing significant legal expenses for the plaintiff.

Under Section 7 of the Bankers' Books Evidence Act, 1891, what remedy is the court most likely to provide to the plaintiff?

(A) The court may order costs incurred due to the delay to be paid by JKL Bank.
(B) The court will dismiss the plaintiff's lawsuit entirely due to the bank's error.
(C) The court will arrest the bank manager for instances of criminal negligence.
(D) The court will order the RBI to revoke JKL Bank's active banking license.

May/June 2015

76. Match the legal entity or role (List I) with their specific action or authority under the Bankers' Books Evidence Act, 1891 (List II):

List I: Entity or Role

P. Principal Accountant
Q. Person in charge of computer system
R. Judge
S. Court of Civil Judicature

List II: Action or Authority

1. Certifies the safeguards adopted to prevent unauthorized change of data
2. Can execute an order awarding costs as a decree for money
3. Orders a party be at liberty to inspect and take copies
4. Certifies that a written copy is a true copy of an entry

(A) P-1, Q-4, R-2, S-3
(B) P-3, Q-2, R-1, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-4, Q-1, R-3, S-2

Oct/Nov 2012

77. Match the specific certificate requirements (List I) with the condition or form of record they apply to (List II) under the Bankers' Books Evidence Act, 1891:

List I: Certificate Requirements

P. Certificate that it is a true copy and book is still in custody

Oct/Nov 2015

67. The following case involves the enforcement of costs: A trial court ordered NOP Bank to pay Rs. 50,000 as costs to a litigant due to improper delay in providing certified copies. The bank failed to pay. The litigant applies to a separate Court of Civil Judicature in the same district to execute this order.
Can the Civil Court execute the order under the Bankers' Books Evidence Act, 1891, and on what basis?
(A) No, only the original trial court can enforce its own order.
(B) No, costs against a bank can only be executed by the High Court.
(C) Yes, it may be executed as if the order is a money decree passed by itself.
(D) Yes, but only if the litigant obtains a fresh judgment from the Civil Court.

May/June 2013

68. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Any order passed under Section 7 of the Bankers' Books Evidence Act, 1891 awarding costs can be executed by any Court of Civil Judicature.
Reason (R): The order awarding costs is treated as if it is a decree for money passed by that Civil Court itself.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2021

69. Consider the following statements regarding the evidentiary value of bankers' books under the Bankers' Books Evidence Act, 1891:
I. A certified copy is received as prima facie evidence of the existence of the entry.
II. A certified copy is admissible as evidence of all matters, transactions, and accounts therein recorded.
III. Mere entries in books of accounts are universally sufficient to make a person liable without any further evidence.
IV. Further evidence to prove payment is required unless the person accepts the correctness of the books.
Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, and IV only

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May/June 2024

70. The following case involves a ruling on costs: During a legal dispute, Mr. H requests an inspection of an entry in a bank's ledger under Section 6 of the Bankers' Books Evidence Act, 1891. The judge passes the order, and the bank complies within the time specified. Mr. H subsequently applies for the bank to pay the costs of his application, arguing that as a customer, he shouldn't bear the legal costs of inspecting his own data. There is no fault or delay on the bank's part.
Under Section 7, how should the judge rule on costs?
(A) The judge must order the bank to pay because the bank maintains the data.
(B) The judge must mandate a 50-50 split of the costs between the bank and Mr. H.
(C) The judge should not order the bank to pay as there was no fault or delay.
(D) The judge has no jurisdiction over costs under the Bankers' Books Evidence Act, 1891.

Oct/Nov 2008

71. In what specific situation may the court order the costs to be paid by the bank to a party under the Bankers' Books Evidence Act, 1891?
(A) Whenever the bank is summoned to the court.
(B) If the bank provides certified copies rather than original books.
(C) Whenever the legal proceeding involves a loan default exceeding Rs. 1 Crore.
(D) If costs are incurred due to fault or improper delay by the bank.

May/June 2006

72. Match the Section of the Bankers' Books Evidence Act, 1891 (List I) with its core provision (List II):
List I: Section

May/June 2022

38. Regarding the inspection of books by order of Court or Judge under Section 6 of the Bankers' Books Evidence Act, 1891, which of the following statements is incorrect?

(A) Any party to a legal proceeding may apply for such an order.

(B) The Court can order the bank to prepare and produce certified copies within a specified time.

(C) The certified copies produced must be accompanied by a further certificate stating no other relevant entries are found.

(D) The inspection order applies only to proceedings where the bank is a primary defendant.

Oct/Nov 2023

39. The following case involves bank holiday calculations: A judge issues an order on Monday for a bank to produce certified copies under Section 6 of the Bankers' Books Evidence Act, 1891. The subsequent Wednesday and Thursday are official bank holidays.

If the order is served on Monday, how will the bank holidays affect the deadline for compliance under the default provisions?

(A) The bank holidays are counted within the three clear days, hastening the compliance deadline.

(B) The bank must comply immediately, ignoring the three clear days rule due to the impending holidays.

(C) Bank holidays nullify the court order, requiring a fresh application.

(D) The three clear days are calculated exclusive of the bank holidays.

May/June 2016

40. The following case involves a partner dispute: Two private business partners, A and B, are engaged in a civil dispute regarding a financial transfer. Neither of them represents a bank. A seeks to prove a transfer made from his account in LMN Bank to B's account. A's lawyer issues a subpoena compelling the branch manager of LMN Bank to physically bring the original ledger to court and testify.

Based on Section 5 of the Bankers' Books Evidence Act, 1891, how should the branch manager respond?

(A) The manager must immediately comply and bring the original ledger.

(B) The manager must testify, but is exempted from bringing the physical ledger.

(C) The manager must bring the ledger but has the right to refuse to answer questions.

(D) The manager is not compellable unless there is a specific order for special cause.

Oct/Nov 2009

41. The following case involves a discretionary timeline: Mr. X obtains an order on Tuesday for inspection of his own account ledger at UVW Bank. The court directs that inspection happen "immediately within 24 hours," waiving the usual waiting period. The bank argues they are entitled to a mandatory three clear days under all circumstances.

Is the bank's argument legally sound under Section 6 of the Bankers' Books Evidence Act, 1891?

(A) Yes, because the three clear days rule is absolute and cannot be altered by the Court.

(B) No, as the Act grants the court discretion to alter the compliance timeline.

(C) No, because the rule applies only to criminal investigations, not civil inspections.

(D) Yes, because the bank needs time to verify Mr. X's identity.

May/June 2023

42. The following case involves an admission of liability: Mr. Y is sued by a bank for an overdraft default. The bank provides certified copies of the account ledger. Mr. Y submits a written statement to the court explicitly admitting that the entries and the final balance shown in the bank's ledger are perfectly correct.

In this specific scenario, what is the legal position regarding Mr. Y's liability?

(A) The bank must still provide further evidence of individual payments made to Mr. Y.

(B) The court must ignore Mr. Y's admission and demand the original books.

(C) The entries are sufficient for liability as he accepted the book's correctness.

(D) The bank officer must be called as a witness to verify Mr. Y's admission.

Oct/Nov 2018

43. When a Court orders a bank to prepare and produce certified copies of entries under Section 6 of the Bankers' Books Evidence Act,

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Q. Certificate that mechanical process itself ensures accuracy
R. Certificate stating effect of having destroyed the book
S. Certificate detailing safeguards for data retrieval

List II: Form of Record
1. Printout from a computer system
2. Original books destroyed during usual course of business
3. Copy obtained by a mechanical or other process
4. Written form maintained in ordinary books

(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-3, R-2, S-1
(D) P-4, Q-1, R-2, S-3

May/June 2011

78. The following case involves the execution of an order for costs: A Court of Civil Judicature receives an application to execute an order for costs against Delta Bank, which was originally passed by a different trial court under Section 7 of the Bankers' Books Evidence Act, 1891. Delta Bank argues that only the original trial court can enforce the order.

Based on Section 7, how should the Court of Civil Judicature respond to the bank's argument?

(A) Accept the argument and dismiss the application, as jurisdiction cannot be transferred.
(B) Reject the argument, as the order may be executed by any Civil Court.
(C) Accept the argument, but penalize the bank for contempt of court.
(D) Reject the argument, but only after seeking permission from the Reserve Bank of India.

Oct/Nov 2020

79. Consider the following statements regarding the enforcement of cost orders under the Bankers' Books Evidence Act, 1891:

I. The order for payment of cost may be enforced as if the bank were a party to the proceeding.
II. The court that passed the order forfeits its right to enforce it once an application is made to a Court of Civil Judicature.

Which of the statement(s) is/are correct?

(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

May/June 2022

80. Which of the following statements accurately reflect the rules regarding the production of original books vs certified copies under the Bankers' Books Evidence Act, 1891?

I. Original account books generally need not be produced in a Court of Law.
II. A certified copy of accounts maintained is considered sufficient proof for legal purposes.
III. In a recovery suit filed by the bank, original documents must be produced even if they are not disputed.
IV. The Delhi High Court held that insistence on filing original documents when not disputed causes enormous delay.

Which combination of statements is correct?

(A) I, II, and IV only
(B) I, II, and III only
(C) II, III, and IV only
(D) I, III, and IV only

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I. The order must be served on the bank three clear days before the same is to be obeyed.
II. The "three clear days" calculation includes bank holidays.

Which of the above statement(s) is/are correct?
(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

May/June 2021

50. The following case involves a disputed court direction: Global Bank filed a suit against Mr. Z for a loan default of Rs. 10 Lakhs. Global Bank submitted certified copies of the loan agreement and account statements. Mr. Z acknowledged his signature on the documents and did not dispute their contents, but simply asked for more time to pay. The trial court judge, however, directed Global Bank to submit the original loan agreement.

Based on the precedent of ICICI Bank Ltd vs Kapil Dev Sharma, what argument can Global Bank's counsel most effectively present?
(A) The bank is not a party to the suit, hence originals are exempt.
(B) The original loan agreement was destroyed in the ordinary course of business.
(C) Originals need not be produced since Mr. Z has not disputed the documents.
(D) Original documents are only required in criminal trials, not civil recovery suits.

Oct/Nov 2010

51. What happens upon a bank giving notice of its intention to show cause against an inspection order under Section 6(3) of the Bankers' Books Evidence Act, 1891?
(A) The bank is automatically fined for contempt of court.
(B) The original order is immediately executed by a police officer.
(C) The party requesting the inspection automatically wins the legal proceeding.
(D) The order shall not be enforced without further order.

May/June 2005

52. According to Section 5 of the Bankers' Books Evidence Act, 1891, in a proceeding where the bank is NOT a party, an officer of a bank cannot be compelled to produce any bankers' book the contents of which can be proved by:
(A) Oral testimony
(B) Affidavits
(C) Police reports
(D) Certified copies

Oct/Nov 2022

53. What rationale did the Delhi High Court provide in the ICICI Bank Ltd vs Kapil Dev Sharma case regarding the insistence on filing original documents?
(A) It prevents banks from forging evidence in routine recovery suits.
(B) Original documents are the only way to accurately verify the signature of the principal accountant.
(C) Originals should only be insisted upon if the parties dispute the documents.
(D) Filing original documents speeds up the adjudication of commercial disputes.

May/June 2018

54. Which of the following options are available to a bank when served with an order under Section 6 of the Bankers' Books Evidence Act, 1891?
I. Obey the order and produce the certified copies within the specified time.
II. Before the time limited for obedience, offer to produce their original books at the trial.
III. Before the time limited for obedience, give notice of intention to show cause against the order.
IV. Demand advance payment of the entire disputed amount before allowing inspection.
V. Ignore the order completely if the bank feels the party's claim is weak.

Which combination represents the valid legal options?
(A) I, III, and V only
(B) II, III, and IV only
(C) I, II, and III only
(D) I, IV, and V only

Oct/Nov 2016

55. Regarding the inspection of books under Section 6 of the Bankers' Books Evidence Act, 1891, which of the following statements is incorrect?
(A) The order can only be made after summoning the bank in all circumstances.
(B) The Court may order the bank to prepare and produce certified copies of the entries.

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relevant period when the records were created. Without this assurance, the court cannot be certain of the reliability of the electronic data, potentially leading to the rejection of the evidence.

10. (C) Trial - Any hearing before the Court at which evidence is taken
Under the Act, a trial is broadly defined as any hearing held before a court where evidence is actively taken. This definition ensures that the rules for admitting bankers' books apply to various stages of legal inquiry. Other terms like court and legal proceeding are also defined broadly to encompass a wide range of judicial and investigative activities.

11. (D) When the person accepts the correctness of the books of accounts.
While internal bank entries generally require corroboration, they become sufficient to establish liability if the person involved accepts their correctness. An explicit admission by the borrower or party removes the need for the bank to provide further proof of individual payments. In such instances, the court relies on the agreed-upon ledger as sufficient evidence to establish the debt.

12. (C) I, II, and III
The legal definitions of bank and banker are inclusive and cover various financial entities. This includes traditional banking companies, corporations, and specific individuals or partnerships designated by the government. Furthermore, post office savings banks and money order offices are explicitly brought under the scope of the Act, ensuring that their records benefit from the same evidentiary rules.

13. (A) I, II, III, and V only
To validate computer printouts, the law requires four specific certifications. These cover the verification of the printout by a manager, the description of system safeguards against data tampering, the details of data transfer to storage media, and confirmation of proper system operation. Police verification is not a requirement under the Bankers' Books Evidence Act for these records.

14. (C) That the copy was verified by an independent external auditing firm.
The certification process for bank records is handled internally by authorized bank officials like the manager or principal accountant. There is no legal requirement for an independent external auditing firm to verify the copy for it to be admissible. The focus remains on verifying that the entry is authentic, ordinary, and currently within the bank's custody.

15. (D) In every case, to the exact same extent as the original entry itself.
A certified copy issued under the provisions of the Act carries significant evidentiary weight. It is admissible in all legal proceedings, regardless of the transaction amount or the specific nature of the case. The law treats these copies with the same level of validity as the original entries, provided they satisfy the mandatory certification requirements outlined in the statute.

16. (A) The Law of Evidence
The Bankers' Books Evidence Act, 1891, was specifically enacted to modify the existing Law of Evidence. Its purpose was to create specialized rules for the production and admission of banking records in court. By amending general evidence principles, the Act provides a more practical framework that accommodates the unique operational needs of the banking industry.

17. (A) The exact source code of the banking software used for processing the data.
The certificate for electronic records must provide details about system security, data transfer methods, and recovery procedures. However, revealing the exact source code of the banking software is not required. Such technical details are considered proprietary and are not necessary to establish the legal integrity or the accuracy of the specific data entries being presented in court.

18. (A) I only
The definition of a legal proceeding includes official investigations conducted by police officers under the Code of Criminal Procedure. While it also covers inquiries where evidence is taken, the definition also explicitly includes investigations under the Code of Criminal Procedure conducted by a person authorized by a magistrate. The focus

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remains on actions conducted under formal legal frameworks like the CrPC.

19. (D) The safeguards available to retrieve data lost due to systemic failure.
The certificate for computer printouts must specifically address systemic failures. It requires the person in charge to describe the safeguards available for retrieving data that might be lost due to such crashes. This ensures that the bank has robust mechanisms to maintain data continuity and that the evidence presented is not compromised by technical malfunctions or system errors.

20. (A) A certificate stating the destruction occurred during the usual course of business.
If a bank has destroyed its original physical records after creating certified copies, a specific certification is necessary. The bank must state that the destruction occurred during the usual course of business. This helps establish that the records were not disposed of to hide information or interfere with legal proceedings, thereby maintaining the admissibility of the copies.

21. (C) The court will require evidence proving the actual payment of money to Mr. X.
Based on established judicial precedent, a bank cannot rely solely on statement entries to prove a debt if the amount is disputed. The court will likely require the bank to provide additional evidence showing that the money was actually disbursed to the borrower. Certified copies serve as prima facie evidence but do not replace the need for substantive proof.

22. (B) Ledgers, day books, and all records used in the ordinary bank business.
The term bankers' books encompasses a wide array of documentation. It includes ledgers, day books, cash books, and all other records used in the ordinary course of banking business. These can be maintained in traditional written forms, microfilms, magnetic tapes, or any other modern storage system, ensuring the Act remains relevant as technology evolves in the sector.

23. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The scope of a trial under the Act is intentionally broad because it is linked to the wide definitions of legal proceeding and court. Since legal proceedings include diverse actions like arbitrations and police investigations, and a court includes any person presiding over such actions, the term trial naturally expands to cover any hearing where evidence is officially recorded.

24. (D) Both I and II
Section 2A requires the computer system certificate to be highly detailed regarding data portability. It must explain the exact process of moving data from the main system to external media like discs or tapes. Additionally, it must provide a clear method for identifying those specific storage devices to ensure a verifiable and secure trail for the electronic evidence.

25. (B) Electronic form - An uncertified screenshot of the account ledger sent to investigators.
For electronic records, an uncertified screenshot does not meet the legal standard for a certified copy. The Act requires printouts to be accompanied by specific certificates from the manager and the person in charge of the computer system. Without these formal certifications, electronic data lack the necessary legal validation required for admissibility as prima facie evidence in court proceedings.

26. (D) 'Corporation' is strictly limited to bodies established under the Banking Act.
The definitions of company and corporation within the Act are broad. A company includes both domestic and foreign entities as per the Companies Act. Corporations include major institutions like the Reserve Bank of India and the State Bank of India. Restricting the definition of a corporation only to bodies under a specific Banking Act is legally inaccurate and overly narrow.

27. (A) It is received as prima facie evidence of the existence of such entry.
A certified copy is legally recognized as prima facie evidence. This means it is accepted as proof of the existence of the entry and the transactions recorded therein without needing the original

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book. While it is not absolute or irrebuttable, it allows the judicial process to proceed efficiently unless substantial evidence is provided to challenge the record's accuracy.

28. (A) Provide the copies as investigations qualify as legal proceedings.
The definition of a legal proceeding under the Act explicitly includes investigations conducted by police officers under the Code of Criminal Procedure. Therefore, a bank is legally required to provide certified copies of entries when requested by an investigating officer. The manager should comply with the request as it falls within the scope of the Act's evidentiary provisions.

29. (C) P-3, Q-2, R-4, S-1
The certificates for computer systems align specific safeguards with integrity objectives. Data entry safeguards ensure only authorized personnel access the system. Verification modes confirm accurate data transfer to external media. Storage arrangements secure the physical custody of devices. Finally, other factors generally vouch for the overall reliability, integrity, and accuracy of the banking computer system and its outputs.

30. (D) The principal accountant or manager of the bank.
The Bankers' Books Evidence Act specifies that the principal accountant or the manager of the bank is the authorized individual to sign the certifications. This ensures that a senior official with responsibility for the records validates their authenticity. While other staff may prepare the documents, the legal validity of the certified copy depends on the signature of these designated officials.

31. (C) By a special order of the Court for special cause.
Generally, bank officers are not required to appear as witnesses in cases where the bank is not a party, as certified copies suffice. However, a court can override this exemption by issuing a special order if there is a demonstrated special cause. This allows for direct testimony in unique circumstances where the certified copies alone might not be adequate.

32. (A) 3, 1, 2, 4
The inspection process begins with a party applying to the court. The court then issues an order for the bank to produce certified copies. This order must be served on the bank at least three clear days before compliance is required. Finally, the bank produces the copies along with a certificate stating that no other relevant entries were found in their records.

33. (B) The person or persons before whom a legal proceeding is held or taken.
The term court is defined functionally rather than just institutionally under the Act. It refers to the specific person or group of persons who are presiding over a legal proceeding and taking evidence. This broad definition includes judges, magistrates, and even arbitrators, ensuring the Act's provisions regarding bankers' books are applicable across various forums of dispute resolution.

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34. (D) Give notice of their intention to show cause against such order.
If a bank is served with an inspection order that it believes is problematic or conflicts with other legal obligations, it has a specific procedural remedy. The bank can give notice of its intention to show cause against the order. This pauses the enforcement of the inspection and allows the bank to present its legal arguments or concerns before the court.

35. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Both statements are true regarding the practical challenges of commercial litigation. Insisting on original documents for undisputed records causes delays, and courts have noted that parties should not easily dispute documents they have signed. However, the remark by the Delhi High Court serves more as a supporting observation rather than the direct underlying cause for the general problem of adjudication delays.

36. (A) I, II, and III only
A court order issued under Section 6 can require a bank to permit the inspection of specific entries and the taking of copies. Additionally, it can command the bank to prepare and produce these certified copies within a set timeframe. The

Act does not grant the court the power to order the confiscation of personal assets through this specific provision.

37. (C) Assertion (A) is true, but Reason (R) is false.
It is correct that certified copies are prima facie evidence. However, the reason provided is incorrect because internal bank entries are not sufficient by themselves to establish liability if the borrower disputes them. Judicial precedents require the bank to provide further proof of actual payment or disbursement in such cases, rather than relying solely on the ledger entries.

38. (D) The inspection order applies only to proceedings where the bank is a primary defendant.
The power of a court to order an inspection of bankers' books is not limited to cases where the bank is a primary defendant. Any party to a legal proceeding can apply for such an order to obtain evidence relevant to their case. The Act is designed to facilitate the gathering of evidence from banks regardless of their status as a party.

39. (D) The three clear days are calculated exclusive of the bank holidays.
The mandatory three-day notice period for a bank to obey an inspection order is calculated as three clear days. Crucially, the law specifies that official bank holidays are excluded from this calculation. This ensures that the bank has three full working days to process the request and prepare the necessary certified copies without being penalized for days the bank is closed.

40. (D) The manager is not compellable unless there is a specific order for special cause.
Under Section 5, bank officers are protected from being compelled to produce original books or appear as witnesses in proceedings where the bank is not a party. Since the entries can be proven using certified copies, the manager is not compellable to bring the physical ledger unless the court specifically issues an order for a demonstrated special cause.

41. (B) No, as the Act grants the court discretion to alter the compliance timeline.
While the three clear days rule is the standard default, the Act provides the court with the authority to direct otherwise. A judge has the discretionary power to alter the compliance timeline based on the urgency or specific circumstances of the case. Therefore, the bank cannot claim an absolute right to three days if the court has explicitly ordered immediate inspection.

42. (C) The entries are sufficient for liability as he accepted the book's correctness.
When a party explicitly admits the correctness of the entries and the balance in a bank's ledger, the evidentiary burden changes. In such a scenario, the bank is no longer required to provide additional evidence of individual payments. The court accepts the accepted entries as sufficient proof to establish the person's financial liability for the outstanding amount shown.

43. (B) A certificate that no other relevant entries exist in the bank's books.
When a court orders a bank to prepare certified copies, the resulting documents must be accompanied by an additional specific certificate. This certificate must confirm that the bank has conducted a thorough search and that no other entries relevant to the matter exist in its books. This ensures that the evidence provided to the court is complete and representative.

44. (D) I and III only
Bank officers are generally exempt from producing original books in cases where the bank is not a party, as certified copies are sufficient. However, the court maintains the power to call an officer as a witness if a special cause exists. The statement that originals must always be produced even in undisputed recovery suits is incorrect based on current judicial interpretations.

45. (C) Order to prepare and produce copies - The Court or a Judge
The structure of the Act assigns specific roles to different entities. A party to a legal proceeding applies for the inspection. The court or a judge holds the authority to issue the order to prepare and produce copies and specifies the time for compliance. The principal accountant's role is primarily centered on the certification of the copies themselves rather than issuing orders.

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46. (B) I, II, and IV only
Certified copies are admissible in place of originals and serve as prima facie evidence. While the entries are admissible, they do not automatically establish liability if disputed; the bank must generally prove the actual payment of money. However, if the party accepts the books' correctness, further proof is not required. Statement III is incorrect as entries alone are not universally sufficient.

47. (D) Assertion (A) is false, but Reason (R) is true.
The assertion is false because a court does not necessarily have to summon the bank before issuing an inspection order under Section 6. The reason is true as the Act explicitly states that such an order can be made either with or without summoning the bank, providing the court with procedural flexibility to facilitate the inspection of records.

48. (B) The officer is not called as a witness unless ordered for special cause.
To prevent unnecessary disruption to banking operations, the law stipulates that officers should not be called as witnesses solely to prove transactions recorded in certified copies. This protection applies specifically when the bank is not a party to the case. Testimony is only required if the court finds a special cause and issues a specific order for their appearance.

49. (A) I only
It is correct that an order must be served three clear days before it is to be obeyed. However, the second statement is incorrect because the calculation of these three clear days must exclude bank holidays. This provision ensures the bank has adequate working time to comply with the court's directive without being hindered by days when the institution is officially closed.

50. (C) Originals need not be produced since Mr. Z has not disputed the documents.
Global Bank can effectively argue that original documents are unnecessary if the borrower has not disputed the authenticity or contents of the certified copies. Following judicial precedents like ICICI Bank Ltd vs Kapil Dev Sharma, courts should not insist on original records for undisputed documents, as doing so only causes needless delays in the adjudication of straightforward commercial debt recovery suits.

51. (D) The order shall not be enforced without further order.
When a bank gives notice of its intention to show cause against an inspection order, it effectively stays the enforcement of that order. The inspection cannot proceed until the court has heard the bank's arguments and issued a further order. This mechanism protects the bank from being forced to comply with orders it believes are legally or practically flawed.

52. (D) Certified copies
An officer of a bank cannot be forced to produce original bankers' books in a legal proceeding where the bank is not a party, provided the contents can be proven through certified copies. This rule is designed to safeguard the original records from being moved and to ensure that the bank's daily functions are not interrupted by routine litigation between third parties.

53. (C) Originals should only be insisted upon if the parties dispute the documents.
The Delhi High Court reasoned that the primary purpose of requiring originals is to resolve disputes regarding the authenticity or signatures of documents. If the parties involved do not dispute the records, there is no logical reason to demand the originals. Insisting on them in such cases only creates administrative hurdles and slows down the legal resolution of commercial disputes.

54. (C) I, II, and III only
Upon being served an inspection order, a bank can choose to obey it and produce copies. Alternatively, it can offer to produce the original books at the trial instead of making copies. A third option is to give notice to show cause against the order. Demanding advance payment or ignoring the order are not legally valid options under the Act.

55. (A) The order can only be made after summoning the bank in all circumstances.
The statement that an inspection order can only be made after summoning the bank is incorrect. The Bankers' Books Evidence Act explicitly allows the court or judge to make such an order

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Oct/Nov 2014

8. Which of the following statements is correct regarding the qualifications of "other persons" for Lok Adalats organized by the Supreme Court Legal Services Committee?
(A) They are prescribed by the State Government in consultation with the Chief Justice of the High Court.
(B) They are prescribed by the Central Government in consultation with the Chief Justice of India.
(C) They are determined solely by the serving judicial officers of the area.
(D) They are explicitly detailed in Section 19(1) of the Act.

May/June 2019

9. Lok Adalats are vested with powers of a Civil Court while trying a suit in respect of several matters under Section 22(1) of the Legal Services Authorities Act, 1987. Which of the following is excepted from this specific list of powers?
(A) The summoning and enforcing the attendance of any witness
(B) The attachment and sale of property before judgment
(C) The discovery and production of any document
(D) The reception of evidence on affidavits

Oct/Nov 2006

10. Why is the underlying rationale mandates that a court must provide an opportunity to be heard before referring a matter to a Lok Adalat on the application of only one party?
(A) To verify if the applying party possesses the necessary resources to pay court fees
(B) To permit the opposing party time to file a counter-suit in a superior court of law
(C) To ensure natural justice and verify if there is a prima facie chance of settlement
(D) To automatically compel the opposing party into accepting a binding legal compromise

May/June 2021

11. What is the best description of the legal nature of an award passed by a Lok Adalat upon arriving at a compromise?
(A) It is an advisory opinion that parties may choose to follow or ignore.
(B) It is an interim order that requires confirmation by the State High Court.
(C) It is a provisional settlement subject to review by the Taluk Committee.
(D) It is a binding decree of a civil court, with no appeal lying against it.

Oct/Nov 2010

12. In which year was the Code of Civil Procedure, which provides the vesting of powers to Civil Courts, enacted?
(A) 1860
(B) 1870
(C) 1908
(D) 1973

May/June 2005

13. Which of the following statements is incorrect concerning the disposal of cases by Lok Adalats?
(A) The Lok Adalat adjudicates and passes a final decree if no compromise is reached.
(B) They shall arrive at a compromise or settlement with utmost expedition.
(C) They are guided by principles of justice, equity, and fair play.
(D) Parties can seek remedy in a court where no settlement is reached in a dispute.

Oct/Nov 2022

14. Which of the following statements correctly describes the jurisdiction of Lok Adalats under Section 19(5) of the Legal Services Authorities Act, 1987?
(A) They have jurisdiction only over cases strictly pending before the Supreme Court.
(B) They are authorized to settle civil disputes regardless of any monetary ceiling.
(C) They can determine matters falling within their jurisdiction but not pending in any court.
(D) They possess the authority to adjudicate non-compoundable criminal cases.

May/June 2018

15. Which of the following best describes the primary advantage for banks and financial institutions in utilizing the forum of Lok Adalats?
(A) It allows them to bypass the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act.
(B) It empowers them to attach the personal assets of the borrower without a court order.
(C) It enables them to impose compound interest unilaterally on all pending loans.

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Act. Specifically, a bank may be ordered to pay these costs if it has caused improper delays or is otherwise at fault. The claim that only the Supreme Court can execute such orders is false, as the Act allows any Court of Civil Judicature to execute them.

66. (A) 1, 2, 3, 4
Establishing the validity of a printout follows a structured sequence. First, the manager must certify it as a true printout of the entry. Then, the technical safeguards against tampering must be detailed. This is followed by a description of the data transfer process. Finally, a certificate must confirm the system was operating properly during the period the data was recorded.

67. (C) Yes, it may be executed as if the order is a money decree passed by itself.
Under the Bankers' Books Evidence Act, an order for costs can be executed by any Court of Civil Judicature. The law treats such an order as if it were a money decree passed by that specific court itself. This provides a direct and efficient mechanism for litigants to recover costs from a bank without needing to return to the original trial court.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The assertion that any Court of Civil Judicature can execute an order for costs under Section 7 is correct. This is because the reason provided is also true; the law explicitly states that these orders are to be treated as if they were money decrees issued by the executing court. This facilitates the enforcement of cost orders against banks across different jurisdictions.

69. (D) I, II, and IV only
Certified copies are received as prima facie evidence of entries and the transactions recorded. However, mere entries are not universally sufficient to create liability; they generally require further proof of payment. This additional proof is only waived if the person involved admits the correctness of the books. Statement III is false because entries alone do not automatically prove liability if disputed.

70. (C) The judge should not order the bank to pay as there was no fault or delay.
Costs under Section 7 are at the discretion of the court and are typically awarded when there is a fault or improper delay. Since the bank complied with the order on time and was not at fault, the judge should not order the bank to pay the customer's application costs. The customer is generally responsible for the costs of their own legal applications.

71. (D) If costs are incurred due to fault or improper delay by the bank.
A bank is only ordered to pay the costs of an application if those costs were incurred due to the bank's own actions. Specifically, the court looks for instances of fault or improper delay on the part of the bank in complying with its duties under the Act. In the absence of such negative behavior, the bank is not typically liable for costs.

72. (D) P-2, Q-4, R-3, S-1
Section 2A specifies the conditions and certificates required for computer printouts. Section 5 describes the circumstances where bank officers are not compellable to produce books. Section 6 provides for the inspection of bankers' books by a court order. Finally, Section 7 covers the rules and discretionary powers related to the costs of applications made under the Act.

73. (B) I, II, IV, and V only
Legal proceedings include both arbitrations and police investigations. While bank officers are generally not compellable to produce original books in cases where the bank is not a party, the court can call them as witnesses for a special cause. Additionally, banks must be given three clear days' notice when summoned to produce copies under a Section 6 order.

74. (D) It is prima facie evidence admissible as if the original were produced.
The defining legal characteristic of a certified copy under this Act is its status as prima facie evidence. This allows the copy to be admitted in court with the same evidentiary weight as the original book. This legal fiction enables judicial proceedings to move forward using verified duplicates, sparing banks from the necessity of presenting their original, active business records in court.

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75. (A) The court may order costs incurred due to the delay to be paid by JKL Bank.
If a bank's negligence or administrative failure leads to a significant delay in providing required certified copies, the court has a specific remedy under Section 7. It can order the bank to pay the legal costs incurred by the party due to that delay. This serves as a financial penalty for the bank and compensates the party for the unnecessary legal expenses.

76. (D) P-4, Q-1, R-3, S-2
The principal accountant is responsible for certifying that a written copy is true. The person in charge of the computer system certifies technical safeguards. A judge has the authority to order that a party be at liberty to inspect records. Finally, a Court of Civil Judicature has the legal power to execute an order for costs as a money decree.

77. (C) P-4, Q-3, R-2, S-1
Written copies require a certificate of truth and custody. Mechanical processes require a certificate regarding the accuracy of the process itself. If original books were destroyed in the regular course of business, a certificate explaining the destruction and its effect is needed. Finally, computer printouts require a detailed certificate regarding safeguards for data retrieval and system integrity.

78. (B) Reject the argument, as the order may be executed by any Civil Court.
The bank's argument is legally incorrect because Section 7 of the Act allows any Court of Civil Judicature to execute an order for costs. The jurisdiction is not restricted solely to the court that originally issued the order. By treating the order as a money decree of the executing court, the law ensures that cost recovery is accessible and straightforward for the party.

79. (A) I only
The first statement is correct as the Act allows cost orders to be enforced against a bank as if it were a party to the proceeding. However, the second statement is false. The court that originally passed the order does not lose its enforcement powers simply because an application can also be made to a different Court of Civil Judicature for execution.

80. (A) I, II, and IV only
Generally, banks are not required to produce original books as certified copies are considered sufficient legal proof. The Delhi High Court has also highlighted that requiring originals for undisputed documents leads to unnecessary adjudication delays. The third statement is incorrect because, according to judicial precedent, originals are not mandatory in recovery suits if the documents are not disputed by the parties.

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CHAPTER 21

The Legal Services Authorities Act, 1987 - Lok Adalats

May/June 2023

1. When was the provision for a "Permanent Lok Adalat" added to Section 22 of the Legal Services Authorities Act, 1987?
(A) 11.6.2000
(B) 11.6.2002
(C) 11.6.2005
(D) 11.6.2010

Oct/Nov 2009

2. Identify the incorrect statement regarding the nature of the award of a Lok Adalat.
(A) The award shall be deemed to be a decree of a civil court.
(B) Court fee paid in the case shall be refunded in case of a settlement.
(C) The award is binding only on the party who initiated the reference.
(D) The award can be deemed an order of any other court.

May/June 2016

3. Under the Legal Services Authorities Act, 1987, how is the composition of every Lok Adalat organized for an area defined?
(A) Serving judicial officers and administrative personnel of the local authority
(B) A panel consisting of senior advocates and local social workers of the area
(C) Serving or retired judicial officers and other persons of the area
(D) Central Government representatives and local law enforcement officers

Oct/Nov 2018

4. All proceedings before a Lok Adalat are deemed to be judicial proceedings within the meaning of specific sections of the Indian Penal Code. Which of the following sections is NOT included in this deeming provision?
(A) Section 193
(B) Section 219
(C) Section 420
(D) Section 228

May/June 2007

5. Why do Lok Adalats possess the requisite powers to specify their own procedure for determining any dispute coming before them?
(A) Because they are explicitly exempt from following any legal principles of justice
(B) To enable flexibility and utmost expedition in arriving at a compromise or settlement
(C) To override the fundamental rights of the disputing parties
(D) Because the Act does not grant them any powers akin to a Civil Court

Oct/Nov 2025

6. What is the most appropriate pre-condition required before an authority can refer a potential (non-pending) dispute to a Lok Adalat upon receiving an application from a party?
(A) The authority must ensure the dispute value strictly exceeds Rs. 20 lakh.
(B) The authority must hear the other party and determine if the case warrants a Lok Adalat.
(C) The authority must immediately seize the disputed property to compel attendance.
(D) The authority must secure a formal written admission of liability from the party.

May/June 2012

7. What is the primary objective of Lok Adalats organized under the Legal Services Authorities Act, 1987?
(A) To deliver binding judicial verdicts in serious criminal offenses
(B) To compromise or settle disputes between parties
(C) To act as an appellate court for civil disputes
(D) To enforce the payment of court fees

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either with or without summoning the bank. This provides the judiciary with the flexibility to ensure that necessary evidence is made available to litigants in a timely manner.

56. (A) Liability solely on mere entries - Always established if the bank presents a certified copy.
Liability is not always established solely by the presentation of a certified copy. While the copy is admissible as prima facie evidence, it can be rebutted. If the borrower disputes the entries, the bank must generally provide additional evidence to prove the actual transaction. Mere entries are not conclusive proof of liability without further corroboration or an admission of correctness.

57. (A) Beta Bank can give notice of intention to show cause against the order.
If Beta Bank finds that complying with a short-notice order would be overly disruptive or impossible, its valid legal recourse is to give notice of intention to show cause against the order. This action allows the bank to explain the operational difficulties to the court and potentially seek an extension or modification of the order before any enforcement occurs.

58. (A) Original documents need not be produced in court unless they are disputed.
In this case, the Delhi High Court established that original documents do not need to be submitted in court if they are not being disputed by the parties. This ruling emphasizes that certified copies are sufficient for adjudicating most recovery suits, thereby preventing unnecessary delays that arise when banks are forced to locate and produce original physical contracts and ledgers.

59. (C) It must be served exclusively by a police officer above the rank of Inspector.
There is no requirement in the Bankers' Books Evidence Act that an inspection order must be served exclusively by a police officer of a certain rank. Such orders are typically served through standard legal channels. The other provisions, such as the three clear days rule and the option for the bank to produce original books at trial, are genuine legal requirements.

60. (B) P-3, Q-2, R-1, S-4
When a bank is not a party, its officers are not compellable to produce original books. If documents are undisputed in a recovery suit, originals need not be produced. For a demonstrated special cause, a court may call a bank officer as a witness. Finally, when a party disputes documents with proper signatures, it often leads to delays in the adjudication process.

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61. (C) I and III only
The Act grants the court discretion to award costs for any application made under its provisions. Furthermore, the court that issues the order has the inherent power to enforce it. The claim that costs can never be ordered against a bank unless it is a primary defendant is incorrect, as costs can be awarded for faults or delays caused by the bank.

62. (A) I, III, IV, and V only
The certificate for electronic records must cover security (authorized entry), reliability (data retrieval after failure), identification (storage device details), and overall integrity. A depreciation schedule for hardware is a financial accounting matter and has no bearing on the legal validity or the evidentiary integrity of the banking data stored within the computer system under the Act.

63. (A) Enforcement of costs against a bank requires it to be a formal party to the suit.
An order for costs under Section 7 can be enforced against a bank regardless of whether it was a formal party to the original lawsuit. The Act provides that such orders are enforceable as if the bank were a party. This ensures that banks are held accountable for any improper delays or faults in providing records, even in cases between third parties.

64. (A) I, II, III, and V only
The Act serves to amend evidence laws for banking records, establishing certified copies as prima facie evidence. It also requires specific certifications for electronic records and grants courts discretion over costs. However, the statement that bank officers must always testify is false; they are generally exempt from appearing unless there is an order for a special cause.

65. (C) I and II only
The court has the discretion to determine who pays the costs of an application under the

(D) It facilitates the settlement of their Non-Performing Assets (NPAs) by compromise.

Oct/Nov 2016

16. How is the geographical and operational extent of the Legal Services Authorities Act, 1987 defined?
(A) It extends to the whole of India
(B) It extends to specific states as notified by the Central Government
(C) It extends to the whole of India except certain specified tribal areas
(D) It is limited to the jurisdiction of the Supreme Court

May/June 2014

17. While arriving at a compromise, a Lok Adalat shall be guided by several principles. Which of the following is NOT explicitly mentioned as a guiding principle in the Legal Services Authorities Act, 1987?
(A) The strict rules of the Indian Evidence Act
(B) Justice
(C) Equity
(D) Fair play

Oct/Nov 2007

18. Under which specific Act is the refund of the court fee provided when a compromise or settlement is arrived at by a Lok Adalat?
(A) The Court fees Act, 1870
(B) The Legal Services Authorities Act, 1987
(C) The Code of Civil Procedure, 1908
(D) The Indian Evidence Act, 1872

May/June 2025

19. Which of the following statements is incorrect regarding the jurisdiction of Lok Adalats?
(A) The dispute should be either a pending case or a matter falling within jurisdiction but not pending.
(B) The offences which are compoundable under any law can be brought within the purview of the Lok Adalats.
(C) The monetary ceiling of amounts for civil disputes is presently Rs. 20 lakh.
(D) A Lok Adalat derives jurisdiction solely when both parties jointly make an application, and never otherwise.

Oct/Nov 2019

20. Which of the following statements correctly outlines the powers of a Lok Adalat under Section 22(1) of the Legal Services Authorities Act, 1987?
(A) It can requisition any public record or document from any court or office.
(B) It possesses the legal authority to issue arrest warrants for absent witnesses.
(C) It is strictly prohibited from receiving any form of evidence on affidavits.
(D) It is restricted from enforcing the attendance of witnesses for the hearing.

May/June 2009

21. If a matter referred to a Lok Adalat is a potential court case (not yet pending before a court) and it is not settled, what is the most appropriate action for the Lok Adalat to take?
(A) Refer the matter automatically to the nearest District Court for trial.
(B) Impose a penalty on the party that refused to settle.
(C) Advise the parties to seek remedy in a court.
(D) Retain the case file until the parties agree to a settlement.

Oct/Nov 2011

22. What is the monetary ceiling of amounts presently prescribed for settling civil disputes through the mechanism of Lok Adalats?
(A) Rs. 10 lakh
(B) Rs. 20 lakh
(C) Rs. 50 lakh
(D) Rs. 1 crore

May/June 2010

23. How does the statutory framework ensure the continuity of justice if a Lok Adalat fails to arrive at a compromise between the parties in a pending case?
(A) The case is permanently dismissed and the parties are prohibited from further litigation
(B) The Lok Adalat passes a binding unilateral decision based on the available records
(C) The parties are directed to file a completely fresh suit in the Supreme Court of India
(D) The records return to court to proceed from the stage reached before reference

Oct/Nov 2024

24. Section 20 of the Legal Services Authorities Act, 1987 deals with the cognizance of cases by Lok Adalats in various scenarios. Which of the following is NOT one of the specified scenarios?

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outstanding balance.
(B) The Lok Adalat will immediately seize the debtor's personal assets to recover the total dues.
(C) The matter will be permanently closed, and the claimant must legally write off the existing debt.
(D) The Lok Adalat will advise the parties to seek remedy in a court, as no settlement was reached.

Oct/Nov 2022

73. How does the statute define the enforceability of a signed award passed by a Lok Adalat, such as the one arrived at between Mr. Das and Mr. Roy?
(A) The award shall be deemed to be an advisory note requiring mutual goodwill to enforce.
(B) The award shall be deemed to be a decree of a civil court or an order of any other court.
(C) The award acts as a preliminary judgment requiring ratification by the State Authority.
(D) The award is enforceable only if registered under the Registration Act within 90 days.

May/June 2014

74. Read the following scenario and answer the question that follows:
The State Authority in Karnataka decides to organize a massive Lok Adalat drive across various districts. For this, they need to appoint serving judicial officers and "other persons" to constitute the panels. The experience and qualifications of these "other persons" need to be formally prescribed.
According to Section 19(4) of the Legal Services Authorities Act, 1987, who holds the authority to prescribe the experience and qualifications for these "other persons" for Lok Adalats organized by the State Authority?
(A) The Central Government in consultation with the Chief Justice of India
(B) The Supreme Court Legal Services Committee autonomously
(C) The District Magistrate of each respective district
(D) The State Government in consultation with the Chief Justice of the High Court

Oct/Nov 2025

75. Read the following scenario and answer the question that follows:
Bank Alpha has a Non-Performing Asset (NPA) account in the name of Mr. Sharma with an outstanding balance of Rs. 15 lakh. No legal suit has been filed in any court regarding this debt yet. Bank Alpha wishes to resolve this matter quickly and amicably through compromise. The Bank submits an application to the District Authority organizing a Lok Adalat, requesting the dispute be determined by the Lok Adalat.
Under the given circumstances, how should the District Authority proceed with Bank Alpha's application to take cognizance of this potential dispute?
(A) It may refer the matter to the Lok Adalat for determination only after giving an opportunity of hearing to Mr. Sharma.
(B) It must immediately refer the matter to the Lok Adalat without notifying Mr. Sharma.
(C) It must reject the application because Lok Adalats cannot hear matters unless a case is already pending in a court.
(D) It must direct the Bank to file a criminal complaint against Mr. Sharma first.

May/June 2020

76. If Mrs. Verma and Mr. Gupta fail to reach a compromise at the Lok Adalat in their pending civil suit, how will the original civil suit be managed thereafter?
(A) The civil court will commence the trial afresh, disregarding all previous evidence.
(B) The Lok Adalat will impose a penalty on the non-cooperating party and notify the court.
(C) The civil court will automatically dismiss the suit due to the failure of the mechanism.
(D) The case records return to court to proceed from the stage reached before reference.

Oct/Nov 2015

77. Regardless of which legal committee organizes a Lok Adalat drive, what is the mandatory structural composition of every Lok Adalat organized for a specific area as per Section 19(2)?
(A) It shall consist exclusively of senior advocates and social workers of the district.
(B) It shall consist only of Central Government administrative officers and police personnel.
(C) It consists of judicial officers and other persons specified by the organizing authority.
(D) It shall consist of a single High Court judge and a representative of the State Authority.

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Oct/Nov 2008

32. Consider the following statements concerning the powers vested under Section 22 of the Legal Services Authorities Act, 1987:

I. A Lok Adalat has the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908.

II. It can requisition any public record or document from any court or office.

III. It can receive evidence on affidavits.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

May/June 2006

33. Match the Sub-sections of Section 19 of the Legal Services Authorities Act, 1987 in List I with their corresponding subject matter in List II.

List I: (Sub-sections)

P. Section 19(1)
Q. Section 19(2)
R. Section 19(3)
S. Section 19(5)

List II: (Subject Matter)

1. Composition of every Lok Adalat
2. Qualifications of other persons for Supreme Court LSC
3. Authorities organizing Lok Adalats
4. Jurisdiction and monetary ceiling

(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-3, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-2, Q-4, R-3, S-1

Oct/Nov 2017

34. Consider the following statements about the jurisdiction and cognizance rules of Lok Adalats:

I. The dispute must be either pending or falling within jurisdiction but not pending.

II. The monetary ceiling for settling civil disputes is presently Rs. 20 lakh.

III. Even if one party applies, an opportunity to be heard must be given before reference.

IV. Offences which are compoundable under any law can be brought within its purview.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

May/June 2008

35. Consider the following statements regarding the Jurisdiction of Lok Adalats:

I. The monetary ceiling of amounts regarding which civil disputes can be settled under this mechanism is presently Rs. 20 lakh.

II. The offences which are compoundable under any law can be brought within the purview of the Lok Adalats.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2013

36. Consider the following statements describing the procedure of taking cognizance under Section 20 of the Legal Services Authorities Act, 1987:

I. The parties can agree to refer the dispute.

II. One party makes an application, and the court is prima facie satisfied.

III. The court must give the parties an opportunity to be heard before referral on application.

IV. The court can take cognizance if it opines it is appropriate to do so.

V. For a potential dispute, a reference requires the consent of the Central Government.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2015

37. Arrange the following statutes mentioned in the Legal Services Authorities Act framework in the correct chronological order of their enactment:

1. Code of Criminal Procedure
2. Indian Penal Code
3. Code of Civil Procedure
4. Court Fees Act

Choose the correct sequence from the options given below:

(A) 2, 4, 3, 1
(B) 2, 3, 4, 1
(C) 4, 2, 3, 1
(D) 3, 2, 1, 4

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judge to become legally enforceable.

May/June 2022

62. In a situation where a party alleges that a Lok Adalat did not strictly follow standard procedural rules of a civil trial, what protection or power does the Lok Adalat have under Section 22(2) of the Legal Services Authorities Act, 1987?

(A) Every Lok Adalat has the requisite powers to specify its own procedure for the determination of any dispute coming before it.

(B) The Lok Adalat is legally bound to follow the exact procedure of the Civil Court step-by-step.

(C) The Lok Adalat must seek the High Court's approval for its procedure before every session.

(D) The Lok Adalat is exempt from all laws and acts purely on personal discretion without any legal principles.

Oct/Nov 2017

63. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): The experience and qualifications of "other persons" for Lok Adalats organized by the Taluk Legal Services Committee are prescribed by the Central Government.

Reason (R): The Central Government consults the Chief Justice of India for prescribing qualifications for Lok Adalats organized by the Supreme Court Legal Services Committee.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2018

64. Read the following scenario and answer the question that follows:

During a Lok Adalat session organized by the High Court Legal Services Committee, the presiding officers are attempting to settle a complex commercial dispute. To clarify certain facts, the Lok Adalat needs a vital public document maintained at a local municipal office and wishes to examine the municipal officer under oath.

Does the Lok Adalat possess the statutory power to compel the municipal officer to attend the session and examine him on oath?

(A) Yes, under Section 22, it has Civil Court powers including summoning of witnesses.

(B) No, Lok Adalats only hold mediation sessions and cannot summon external witnesses.

(C) Yes, but only if the Central Government grants special permission for the session.

(D) No, such powers are exclusive to the High Court judges sitting in formal proceedings.

Oct/Nov 2005

65. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): Every award of a Lok Adalat is binding on all the parties to the dispute and no appeal shall lie in any court against it.

Reason (R): Under Section 21 of the Act, the award of a Lok Adalat shall be deemed to be a decree of a civil court or an order of any other court.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2025

66. If a Lok Adalat drive is organized exclusively by the Supreme Court Legal Services Committee, how are the qualifications of the "other persons" on the panel prescribed?

(A) By the State Government in consultation with the Chief Justice of the High Court

(B) By the Central Government in consultation with the Chief Justice of India

(C) By the President of India directly

(D) By the Bar Council of India

Oct/Nov 2024

67. Read the following scenario and answer the question that follows:

A civil dispute involving a property valued at Rs. 18 lakh is pending trial between Mrs. Verma and Mr. Gupta before a civil court. Mrs. Verma believes

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Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

May/June 2005

44. Consider the following statements regarding the Award of the Lok Adalats:
I. Every award shall be binding on all the parties to the dispute.
II. An appeal against the award can be filed in the High Court within 60 days.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2019

45. Consider the following statements regarding the application of various Acts to the Lok Adalats:
I. Vested with powers of a Civil Court under the Code of Civil Procedure, 1908.
II. Deemed a Civil Court for Chapter XXVI of the Code of Criminal Procedure, 1973.
III. Proceedings deemed judicial under Sections 193, 219, and 228 of the Indian Penal Code.
IV. Refund of court fees governed by the Court fees Act, 1870.
V. Qualifications of judicial officers governed by the Indian Evidence Act, 1872.
Which of the above statement(s) is/are correct?
(A) I, II, III, and V
(B) I, II, IV, and V
(C) I, II, III, and IV
(D) II, III, IV, and V

May/June 2011

46. Arrange the following procedural steps in the correct chronological order when one party makes an application to refer a pending dispute to a Lok Adalat:
1. The court is prima facie satisfied that there are chances of settlement.
2. An opportunity to be heard is given to the parties.
3. One of the parties makes an application to the court.
4. The case or matter is referred to the Lok Adalat.
Choose the correct sequence from the options given below:
(A) 3, 2, 1, 4
(B) 3, 1, 2, 4
(C) 1, 3, 2, 4
(D) 2, 3, 1, 4

Oct/Nov 2021

47. Consider the following statements describing the nature and finality of a Lok Adalat award:
I. It is deemed to be a decree of a civil court.
II. It is binding on all the parties to the dispute.
III. No appeal shall lie in any court against the award.
IV. It is subject to a mandatory review by the High Court within 30 days.
Which of the above statement(s) is/are correct?
(A) I, II, and IV
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, and III

May/June 2007

48. Identify the correct pair regarding the procedural powers of a Lok Adalat and the corresponding legislation.
(A) Requisitioning of public records - Indian Penal Code
(B) Refund of court fee - Court Fees Act, 1870
(C) Judicial proceedings deeming - Code of Civil Procedure
(D) Organization of Lok Adalats - Code of Criminal Procedure

Oct/Nov 2007

49. Consider the following statements related to the statutory definitions of Lok Adalats:
I. A Lok Adalat shall be deemed to be a Civil Court for the purpose of section 195 of the Code of Criminal Procedure, 1973.
II. The Permanent Lok Adalat was added to Section 22 with effect from 11.6.2002.
III. A Lok Adalat organized for an area consists exclusively of persons specified by the Central Government.
Which of the above statement(s) is/are correct?
(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

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(A) The disputes the parties agree to refer
(B) The dispute where one party applies and the court is prima facie satisfied
(C) The dispute which the court deems appropriate to be taken cognizance of
(D) The dispute involving constitutional validity of a central legislation

May/June 2017

25. Which of the following statements is incorrect regarding the organization of Lok Adalats under Section 19(1) of the Legal Services Authorities Act, 1987?
(A) They are authorized to be organized by the State Authority.
(B) They are organized at fixed daily intervals in every district.
(C) They can be organized by the Supreme Court Legal Services Committee.
(D) They can be organized by the Taluk Legal Services Committee.

Oct/Nov 2005

26. How are the proceedings before a Lok Adalat defined under the Indian Penal Code?
(A) Non-judicial mediation sessions conducted for the benefit of all parties
(B) Administrative inquiries performed by officers of the State Authority
(C) Civil trials conducted under section 195 of the Code of Criminal Procedure
(D) Judicial proceedings under sections 193, 219, and 228 of the Indian Penal Code

May/June 2020

27. When a court receives the records of a case back from a Lok Adalat because no compromise could be arrived at, what is the most appropriate course of action for the court?
(A) It proceeds with the matter from the stage reached before making the reference.
(B) It must direct the parties involved to undergo mandatory arbitration sessions.
(C) It must re-evaluate the court fee and dismiss the suit if found to be unpaid.
(D) It shall pass an ex-parte decree against the defending party for non-compliance.

Oct/Nov 2015

28. Why is the award of a Lok Adalat deemed to be a decree of a civil court under Section 21 of the Legal Services Authorities Act, 1987?
(A) To grant the award finality and binding enforceability on all parties to the dispute
(B) To permit the parties involved to appeal against the award in the relevant High Court
(C) To convert a serious criminal offense into a civil dispute for easier resolution
(D) To enable the presiding court to charge additional administrative fees for execution

May/June 2013

29. Section 19(1) of the Legal Services Authorities Act, 1987 lists multiple authorities empowered to organize Lok Adalats. Which of the following is NOT one of those authorities?
(A) District Authority
(B) High Court Legal Services Committee
(C) Central Legal Services Authority
(D) Taluk Legal Services Committee

Oct/Nov 2021

30. Which statement accurately reflects the rule regarding appeals against a Lok Adalat award?
(A) An appeal lies in the District Court within 30 days.
(B) An appeal lies in the High Court if the dispute exceeds Rs. 10 lakh.
(C) An appeal can be filed only with the consent of both parties.
(D) No appeal shall lie in any court against the award.

May/June 2024

31. Match the legal codes mentioned in the context of Lok Adalats in List I with their relevant sections or chapters in List II.
List I: (Legal Codes)
P. Indian Penal Code, 1860
Q. Code of Criminal Procedure, 1973
R. Code of Civil Procedure, 1908
S. Court Fees Act, 1870
List II: (Relevant Sections/Chapters)
1. Vests powers while trying a suit
2. Refunds in the manner provided
3. Sections 193, 219, and 228
4. Section 195 and Chapter XXVI
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-4, S-3
(D) P-2, Q-1, R-3, S-4

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May/June 2021

56. Match the specific powers of a Lok Adalat under Section 22(1) of the Legal Services Authorities Act, 1987 in List I with their corresponding clause alphabets in List II.

List I: (Powers)

P. The reception of evidence on affidavits

Q. The discovery and production of any document

R. The summoning and enforcing attendance of any witness

S. The requisitioning of any public record

List II: (Clauses)

1. Clause (a)
2. Clause (b)
3. Clause (c)
4. Clause (d)

(A) P-3, Q-2, R-1, S-4
(B) P-1, Q-4, R-2, S-3
(C) P-4, Q-1, R-3, S-2
(D) P-2, Q-3, R-4, S-1

Oct/Nov 2006

57. Consider the following statements summarizing the overall framework of Lok Adalats:

I. The Legal Services Authorities Act, 1987 extends to the whole of India.

II. The main advantage for banks and financial institutions is the settlement of NPAs by compromise.

III. Every Lok Adalat has powers to specify its own procedure for determination of disputes.

IV. A Lok Adalat derives jurisdiction solely by the consent of parties or court intervention.

V. The award of a Lok Adalat lacks the enforceability of a civil court decree.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, III, IV, and V
(C) II, III, IV, and V
(D) I, II, IV, and V

May/June 2012

58. Identify the incorrect pair from the following provisions of the Legal Services Authorities Act, 1987 and their corresponding statutory descriptions.

(A) Section 21 - Cognizance of Cases by Lok Adalats
(B) Section 19(5) - Jurisdiction of Lok Adalats
(C) Section 22 - Powers of Lok Adalats
(D) Chapter XXVI - Code of Criminal Procedure, 1973

Oct/Nov 2013

59. Consider the following statements regarding the organization and composition of Lok Adalats:

I. They can be organized at such intervals and places as the organizing committee thinks fit.

II. They consist of serving or retired judicial officers.

III. They consist of other persons of the area specified by the organizing authority.

IV. The Central Government consults the Chief Justice of India for prescribing qualifications of other persons for all Lok Adalats across India.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, III, and IV

May/June 2023

60. Consider the following statements regarding the powers of the Lok Adalat:

I. Every Lok Adalat has the requisite powers to specify its own procedure for the determination of any dispute coming before it.

II. A Lok Adalat does not have the power to summon and enforce the attendance of any witness.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2016

61. If a Lok Adalat successfully facilitates a compromise in a scenario involving a bank's debt recovery, such as the dispute between Bank Alpha and Mr. Sharma, what will be the legal status of the settlement reached?

(A) It is considered a provisional agreement that remains valid for only six months.
(B) It is deemed to be an internal bank settlement with no external legal backing.
(C) It is a binding civil court decree and final settlement for all parties.
(D) The award must be ratified by a High Court

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Oct/Nov 2012

38. Consider the following statements regarding the cognizance of cases by Lok Adalats under the Legal Services Authorities Act, 1987:

I. They can take cognizance of disputes the parties agree to refer.

II. They can take cognizance if one party makes an application and the court is prima facie satisfied there are chances of settlement.

III. They can take cognizance of a dispute which, in the opinion of the court, is appropriate to be taken cognizance of.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

May/June 2011

39. Consider the following statements detailing the procedural consequences when a Lok Adalat fails to reach a settlement:

I. The records of the case are returned to the court from which the reference was received.

II. The court proceeds with the matter from the stage it had reached before making a reference.

III. In respect of a potential dispute, the parties can seek remedy in a court.

IV. The court fee is refunded immediately to compensate for the time lost.

Which of the above statement(s) is/are correct?

(A) I, II, and IV
(B) I, III, and IV
(C) I, II, and III
(D) II, III, and IV

Oct/Nov 2020

40. Identify the correct pair connecting the committee with the authority prescribing qualifications for its "other persons" under the Legal Services Authorities Act, 1987.

(A) Taluk Legal Services Committee - Central Government
(B) High Court Legal Services Committee - Chief Justice of India
(C) District Authority - Supreme Court Legal Services Committee
(D) Supreme Court Legal Services Committee - Central Government

May/June 2022

41. Consider the following statements regarding the legal framework of Lok Adalats:

I. Permanent Lok Adalat is a recognized mechanism established under the Act.

II. The monetary ceiling for civil disputes is presently Rs. 20 Lakh.

III. Banks utilize the forum for the settlement of Non-Performing Assets (NPAs).

IV. If a potential court case is not settled, the Lok Adalat shall advise parties to seek remedy in court.

V. The Award of a Lok Adalat is subject to appeal only in the Supreme Court.

Which of the above statement(s) is/are correct?

(A) I, II, III, and V
(B) I, II, III, and IV
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2023

42. Match the authorities in List I with the entity they consult to prescribe qualifications for "other persons" in List II.

List I: (Authorities)

P. Central Government (for Supreme Court LSC)
Q. State Government (for High Court LSC)
R. State Government (for District Authority)
S. State Government (for Taluk LSC)

List II: (Entity Consulted)

1. Chief Justice of India
2. Chief Justice of the High Court
3. Chief Justice of the High Court
4. Chief Justice of the High Court

(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-1, R-4, S-3
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2012

43. Consider the following statements regarding the disposal of cases by Lok Adalats:

I. They shall be guided by the principles of justice, equity, fair play, and other legal principles.

II. If no compromise could be arrived at in a pending case, the records shall be returned to the court.

III. If no compromise is arrived at, the court must start the trial entirely afresh, ignoring previous proceedings.

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the matter can be settled and files an application before the court to refer the case to a Lok Adalat. Mr. Gupta is hesitant. The court examines the application and is prima facie satisfied that there are chances of a settlement.

Before actually making the reference to the Lok Adalat, what mandatory procedural requirement must the civil court fulfill?

(A) The court must compel Mr. Gupta to sign a pre-settlement bond.
(B) The court must dismiss the ongoing civil suit entirely.
(C) The court must give an opportunity to be heard to both parties regarding the reference.
(D) The court must refund the court fee immediately upon receiving Mrs. Verma's application.

May/June 2008

68. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): A matter falling within the jurisdiction but not pending in any court can be brought before a Lok Adalat.

Reason (R): The jurisdiction of Lok Adalats is strictly restricted to cases that are already pending before a regular court of law.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2008

69. Mr. Das and Mr. Roy had a long-standing property dispute. They agreed to refer the matter to a Lok Adalat. The Lok Adalat helped them arrive at a compromise, and an award was formally passed and signed. However, two weeks later, Mr. Das decided he wanted to challenge the award because he felt it was disadvantageous and alleged that the Lok Adalat did not strictly follow the standard procedural rules of a regular civil trial.

What is the legal tenability of Mr. Das's intention to file an appeal against the award passed by the Lok Adalat?

(A) He can file an appeal in the District Court within 30 days of the award.
(B) He can appeal to the High Court since property disputes are involved.
(C) He can appeal only if the value of the property is above Rs. 20 lakh.
(D) No appeal shall lie in any court against the award, as it is binding on all parties.

May/June 2006

70. Which specific statutory power allows a Lok Adalat to demand a vital public document from a municipal office during its proceedings?

(A) The power to amend the Indian Penal Code to seize relevant public documents.
(B) The administrative power derived strictly from the Court fees Act, 1870.
(C) The power of requisitioning any public record or document from any court.
(D) The power to issue search warrants under the Code of Criminal Procedure.

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Oct/Nov 2018

71. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): When one of the parties to a pending case makes an application to refer the matter to a Lok Adalat, the court can instantly transfer the case without notifying the other party.

Reason (R): The case shall not be referred to the Lok Adalat unless an opportunity to be heard is given to the parties, even if the court is prima facie satisfied there are chances of settlement.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2013

72. In a scenario where a party like Mr. Sharma refuses to agree to any compromise during the Lok Adalat proceedings regarding a potential debt dispute, what is the appropriate outcome for this unresolved potential dispute?

(A) The Lok Adalat will unilaterally pass a decree ordering the party to pay the

May/June 2024

50. Consider the following statements regarding the organization of Lok Adalats:

I. The experience and qualifications of other persons for Lok Adalats organized by the Supreme Court Legal Services Committee are prescribed by the State Government.

II. Every Lok Adalat organized for an area shall consist solely of retired judicial officers.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2011

51. Consider the following statements on the disposal of cases by Lok Adalats:

I. The Lok Adalats shall arrive at a compromise or settlement between parties.

II. They must act with utmost expedition.

III. They are guided by justice, equity, fair play, and other legal principles.

IV. Records are returned to the court if no compromise is arrived at.

V. In the absence of compromise in a potential dispute, parties lose their right to seek remedy in a court.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV
(B) I, II, IV, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2017

52. Match the Section references of the Legal Services Authorities Act, 1987 in List I with their respective provisions in List II.

List I: (Section References)

P. Section 20
Q. Section 21
R. Section 22
S. Section 19

List II: (Provisions)

1. Nature of Award of the Lok Adalats
2. Jurisdiction and Organization of Lok Adalats
3. Powers of Lok Adalat
4. Cognizance of Cases by Lok Adalats

(A) P-4, Q-1, R-3, S-2
(B) P-1, Q-2, R-4, S-3
(C) P-3, Q-4, R-2, S-1
(D) P-2, Q-3, R-1, S-4

Oct/Nov 2014

53. Identify the incorrect pair regarding the outcomes of a Lok Adalat proceeding.

(A) Compromise arrived at - Award binding on all parties
(B) Pending case not settled - Records returned to the court
(C) Potential dispute not settled - Lok Adalat passes a binding ex-parte award
(D) Award passed - Deemed to be a decree of a civil court

May/June 2009

54. Consider the following statements regarding the powers of a Lok Adalat under Section 22 of the Legal Services Authorities Act, 1987:

I. Power to summon and enforce the attendance of any witness.

II. Power to mandate the physical arrest of an uncooperative respondent.

III. Power of discovery and production of any document.

IV. Power to requisition any public record from any office.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, III, and IV

Oct/Nov 2010

55. Consider the following statements regarding the nature of the award and powers of a Lok Adalat:

I. The award of a Lok Adalat shall be deemed to be an administrative order rather than a judicial decree.

II. The court fee paid in the case shall be refunded if a compromise or settlement is arrived at.

III. All proceedings before a Lok Adalat are deemed to be judicial proceedings within the meaning of specific sections of the Indian Penal Code.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

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May/June 2019

78. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): A Lok Adalat has the authority to summon and enforce the attendance of any witness and examine him on oath.
Reason (R): Under Section 22 of the Act, a Lok Adalat has the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

79. When parties like Mrs. Verma and Mr. Gupta successfully arrive at a settlement before the Lok Adalat in a pending civil dispute, what financial relief is provided by the statutory framework regarding court fees?
(A) The Lok Adalat will award punitive damages to the applicant for the time lost.
(B) The court fee paid shall be refunded as provided under the Court fees Act, 1870.
(C) The respondent will be ordered to pay double the court fees to the State Treasury.
(D) The court fee paid is forfeited and transferred to the State Legal Services Authority.

May/June 2015

80. Under which legal categorization are proceedings before a Lok Adalat placed to ensure truthfulness and decorum, such as when examining a municipal officer on oath?
(A) They are judicial proceedings within sections 193, 219, and 228 of the IPC.
(B) They are deemed administrative inquiries under the Legal Services Authorities Act.
(C) They are deemed to be non-binding mediations exempt from current penal laws.
(D) They are classified as civil proceedings excluding the application of the IPC.

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governed by the provisions of the Court Fees Act, 1870, ensuring a cost-effective resolution.

19. (D) A Lok Adalat derives jurisdiction solely when both parties jointly make an application, and never otherwise.
A Lok Adalat can acquire jurisdiction through multiple routes, not just a joint application by parties. A court can refer a case if it is satisfied there are settlement chances, or even if only one party applies after hearing the other side. Additionally, authorities can take cognizance of pre-litigation disputes, making the forum accessible through various procedural channels.

20. (A) It can requisition any public record or document from any court or office.
Under Section 22(1) of the Act, Lok Adalats are vested with specific powers to aid in the settlement process. One such critical power is the ability to requisition any public record or document from any court or government office. This allows the presiding officers to verify facts and clarify details necessary for helping the parties reach a fair compromise.

21. (C) Advise the parties to seek remedy in a court.
When a pre-litigation or potential dispute is brought before a Lok Adalat but no settlement is reached, the forum's role ends. Since there is no pending court case to return to, the Lok Adalat fulfills its duty by advising the parties to seek a remedy through a regular court of law. This preserves the parties' right to formal adjudication.

22. (B) Rs. 20 lakh
The jurisdiction of Lok Adalats regarding the financial value of disputes is regulated to ensure efficient settlement of common civil matters. Currently, the monetary ceiling for civil disputes that can be brought before this forum is set at twenty lakh rupees. This limit allows a wide range of property and debt recovery cases to be resolved through mutual compromise.

23. (D) The records return to court to proceed from the stage reached before reference
The statutory framework ensures that parties do not lose their place in the judicial queue if a settlement fails. If a pending case is not resolved in a Lok Adalat, the records are sent back to the original court. The litigation then resumes exactly from the procedural stage it had reached just before the matter was referred.

24. (D) The dispute involving constitutional validity of a central legislation
Section 20 of the Act outlines the types of cases a Lok Adalat can take cognizance of, focusing on matters suitable for compromise. This includes disputes where parties agree to refer, or where the court sees settlement potential. However, complex legal issues, such as the constitutional validity of central legislation, are excluded as they require formal judicial determination by superior courts.

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25. (B) They are organized at fixed daily intervals in every district.
Section 19(1) allows various legal services committees at the State, District, Taluk, and High Court levels to organize Lok Adalats. However, the law does not mandate that they must be held at fixed daily intervals. Instead, these authorities organize sessions at such intervals and places as they deem appropriate to meet the local demand for dispute resolution.

26. (D) Judicial proceedings under sections 193, 219, and 228 of the Indian Penal Code
To ensure the solemnity and legal integrity of the mediation process, all proceedings before a Lok Adalat are defined as judicial proceedings. This classification falls under specific sections of the Indian Penal Code, namely 193, 219, and 228. Consequently, the same standards of truthfulness and decorum required in a regular court of law apply during Lok Adalat sessions.

27. (A) It proceeds with the matter from the stage reached before making the reference.
When a Lok Adalat returns the records of a pending case because no settlement could be reached, the original court must resume the litigation. The case proceeds specifically from the stage it had attained just before the reference was made. This ensures that the time spent in Lok Adalat does not force parties to restart their legal proceedings entirely.

28. (A) To grant the award finality and binding enforceability on all parties to the dispute
The primary reason a Lok Adalat award is deemed a civil court decree is to ensure its effectiveness.

limited to specific procedural matters. These include summoning witnesses, discovering documents, and receiving evidence on affidavits. However, the authority to order the attachment and sale of property before a judgment is not among the powers explicitly granted to these settlement forums.

10. (C) To ensure natural justice and verify if there is a prima facie chance of settlement
When only one party applies to refer a pending case to a Lok Adalat, the court must hear the opposing side first. This requirement upholds the principle of natural justice by preventing unilateral referrals. Furthermore, it allows the court to evaluate whether there is a reasonable, prima facie chance that the parties will actually reach a compromise.

11. (D) It is a binding decree of a civil court, with no appeal lying against it.
An award passed by a Lok Adalat is legally significant because it is deemed to be a decree of a civil court. This status ensures that the settlement is final and enforceable between the parties. To maintain the objective of finality in alternative dispute resolution, the law explicitly prohibits any appeal against such an award in any court.

12. (C) 1908
The Code of Civil Procedure serves as a foundational legal framework for civil litigation in India, outlining the powers and procedures of civil courts. Originally enacted in 1908, it provides the necessary legal authority that is also vested in Lok Adalats. This historical statute continues to govern how civil matters are processed and resolved across the entire judicial system.

13. (A) The Lok Adalat adjudicates and passes a final decree if no compromise is reached.
Lok Adalats function as facilitative forums rather than adjudicatory bodies. If parties fail to reach a compromise or settlement, the Lok Adalat does not have the power to decide the case on its merits. Instead, it must return the records to the court of origin or advise the parties to seek a remedy through regular legal channels.

14. (C) They can determine matters falling within their jurisdiction but not pending in any court.
Section 19(5) of the Act defines the broad jurisdiction of Lok Adalats. They are authorized to handle cases currently pending before a court, as well as potential disputes that have not yet reached litigation. As long as the matter falls within their jurisdictional limits, they can facilitate settlements for pre-litigation disputes, providing a proactive mechanism for conflict resolution.

15. (D) It facilitates the settlement of their Non-Performing Assets (NPAs) by compromise.
Financial institutions find the Lok Adalat system highly beneficial for managing debt recovery. It offers a streamlined forum where banks can settle their Non-Performing Assets through mutual compromise with borrowers. This method is often preferred over lengthy litigation as it allows for quicker recovery of dues and reduces the legal costs associated with traditional recovery proceedings in courts.

16. (A) It extends to the whole of India
The Legal Services Authorities Act, 1987, is a piece of central legislation that provides a uniform framework for legal aid and Lok Adalats across the nation. Its geographical and operational extent covers the entire territory of India. This ensures that the benefits of alternative dispute resolution and free legal services are accessible to citizens in every state and territory.

17. (A) The strict rules of the Indian Evidence Act
While facilitating a compromise or settlement, Lok Adalats are expected to follow principles that ensure fairness without being bogged down by technicalities. The Act specifies that they must be guided by the principles of justice, equity, and fair play. Unlike regular courts, they are not strictly bound by the complex and rigid rules found in the Indian Evidence Act.

18. (A) The Court fees Act, 1870
To encourage the use of alternative dispute resolution, the legal system provides a financial incentive for parties who settle their cases through Lok Adalats. If a compromise is reached, the court fees originally paid by the parties are refunded. This refund process is specifically

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76. (D) The case records return to court to proceed from the stage reached before reference.
The failure to reach a compromise in a Lok Adalat does not terminate a pending lawsuit. Instead, the law requires that the records be sent back to the original court. The litigation then resumes precisely from the stage it had reached before the referral occurred, ensuring that the parties' legal rights and progress in the trial are fully preserved.

77. (C) It consists of judicial officers and other persons specified by the organizing authority.
Section 19(2) defines the mandatory structure for every Lok Adalat session, regardless of the organizing committee. Each panel must consist of judicial officers, who may be serving or retired, and other persons with specified qualifications. This mixed composition ensures that the forum has both the legal knowledge and the social perspective necessary to facilitate effective and fair settlements.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Lok Adalats are empowered to perform essential judicial functions like summoning witnesses and examining them under oath. This authority is derived from Section 22 of the Act, which vests them with the same powers as a civil court under the Code of Civil Procedure, 1908. This legal backing ensures that the dispute resolution process remains effective and authoritative.

79. (B) The court fee paid shall be refunded as provided under the Court fees Act, 1870.
One of the major advantages of settling a dispute through a Lok Adalat is the financial relief provided to the parties. If a compromise is reached, the law ensures that any court fees originally paid for the suit are refunded. This refund is processed according to the provisions of the Court Fees Act, 1870, making the process highly cost-effective.

80. (A) They are judicial proceedings within sections 193, 219, and 228 of the IPC.
To maintain high standards of conduct and truthfulness, all proceedings conducted by a Lok Adalat are legally categorized as judicial proceedings. This designation falls under Sections 193, 219, and 228 of the Indian Penal Code. Consequently, participants are legally bound to be truthful, and the proceedings are protected by the same penal laws that govern traditional courtrooms.

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By granting it the same status as a formal court order, the law ensures the award is final and legally binding on all parties. This status allows for the award to be executed through the standard legal machinery if necessary.

29. (C) Central Legal Services Authority
Section 19(1) of the Act identifies the specific bodies authorized to organize Lok Adalats. These include the State Authority, the District Authority, and the High Court and Taluk Legal Services Committees. The Central Legal Services Authority is not listed as an organizing body for these sessions, as the operational responsibility for Lok Adalats is distributed among regional committees.

30. (D) No appeal shall lie in any court against the award.
The legal framework of the Lok Adalat is designed to provide a final resolution to disputes through mutual agreement. To uphold this finality, the Act stipulates that once an award is passed, it cannot be challenged through an appeal. This rule prevents further litigation and ensures that the compromise reached between the parties is permanent and binding.

31. (A) P-3, Q-4, R-1, S-2
Various legal codes interact to define the authority and nature of Lok Adalats. The Indian Penal Code provides sections that define their proceedings as judicial. The Code of Criminal Procedure identifies them as civil courts for specific procedural chapters. Additionally, the Code of Civil Procedure grants them essential trial powers, while the Court Fees Act handles necessary financial refunds.

32. (D) I, II, and III
Under Section 22 of the Act, Lok Adalats are equipped with powers necessary to conduct effective hearings. They possess the same authority as civil courts regarding the summoning of witnesses and the discovery of documents. Furthermore, they are legally permitted to receive evidence on affidavits and requisition public records, ensuring they have the information required to facilitate settlements.

33. (A) P-3, Q-1, R-2, S-4
Section 19 of the Act provides the structural and jurisdictional framework for Lok Adalats. Sub-section (1) identifies the organizing authorities, while (2) details the composition of the panels. Sub-section (3) addresses the qualifications for members of the Supreme Court committee, and (5) defines the jurisdiction and monetary limits. This structure ensures a well-defined and organized system.

34. (D) I, II, III, and IV
The Lok Adalat system operates under several clear legal parameters. These include jurisdiction over both pending and pre-litigation disputes and a monetary limit of twenty lakh rupees for civil matters. Additionally, the law ensures natural justice by requiring hearings before referrals and allows for the settlement of compoundable criminal offenses, making the mechanism comprehensive and fair for participants.

35. (C) Both I and II
The jurisdiction of Lok Adalats is clearly defined regarding both financial and legal scope. It currently extends to civil disputes with a monetary value of up to twenty lakh rupees. Furthermore, the forum is empowered to handle criminal matters, provided they involve offenses that are legally compoundable. These two pillars define the boundaries within which the mechanism operates.

36. (A) I, II, III, and IV
Section 20 of the Act details how a court or authority takes cognizance of a dispute for Lok Adalat referral. This can occur through mutual agreement, a single party's application, or the court's own opinion. In cases involving a single application, an opportunity to be heard is mandatory. However, the consent of the Central Government is not required.

37. (A) 2, 4, 3, 1
Understanding the historical timeline of Indian legislation is essential for legal studies. The Indian Penal Code was enacted first in 1860, followed by the Court Fees Act in 1870. Later, the Code of Civil Procedure was established in 1908. Finally, the modern Code of Criminal Procedure was enacted in 1973, completing this specific chronological sequence of foundational laws.

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38. (D) I, II, and III
A Lok Adalat can take cognizance of a dispute through several defined legal pathways. These include situations where both parties agree to a referral or when one party applies and the court finds a chance of settlement. Additionally, the court may refer a matter on its own if it believes the dispute is appropriate for resolution through this mechanism.

39. (C) I, II, and III
Several procedural outcomes follow if a Lok Adalat fails to reach a settlement. For pending cases, records are returned to the originating court, which then continues from the previous stage. For potential disputes not yet in court, parties are advised to seek appropriate legal remedies. However, court fees are only refunded when a settlement is successfully achieved and finalized.

40. (D) Supreme Court Legal Services Committee - Central Government
The authority responsible for prescribing the qualifications of non-judicial members depends on which committee organizes the Lok Adalat. For the Supreme Court Legal Services Committee, this power rests with the Central Government, in consultation with the Chief Justice of India. For other committees, such as State or District levels, the State Government holds the prescribing power.

41. (B) I, II, III, and IV
The Lok Adalat framework includes established mechanisms like Permanent Lok Adalats and monetary limits of twenty lakh rupees for civil disputes. It is frequently used by financial institutions for NPA settlements. If a settlement fails in pre-litigation cases, parties are advised to seek court remedies. However, the rule prohibiting appeals against awards is absolute across all judicial levels.

42. (A) P-1, Q-2, R-3, S-4
The prescribing of qualifications for Lok Adalat members involves coordination between the government and the judiciary. The Central Government consults the Chief Justice of India for the Supreme Court committee. Similarly, the State Government consults the Chief Justice of the respective High Court for the High Court, District, and Taluk committees. This ensures judicial oversight in the selection process.

43. (A) Only I and II
When disposing of cases, Lok Adalats must adhere to principles of justice, equity, and fair play. If a compromise cannot be reached in a pending matter, the records must be returned to the court of origin. Crucially, the litigation does not start over; instead, the court resumes the trial from the exact stage it had reached before the referral.

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44. (A) Only I
The award issued by a Lok Adalat is legally significant because it is binding on all parties involved. This binding nature ensures that the agreement reached through mediation is final. However, the law does not allow for appeals against these awards in the High Court or any other court, as the settlement is intended to conclude the dispute permanently.

45. (C) I, II, III, and IV
Lok Adalats operate within a comprehensive legal framework involving multiple statutes. They use powers from the Code of Civil Procedure and are considered civil courts under the Code of Criminal Procedure for certain purposes. Their proceedings are judicial under the Indian Penal Code, and fee refunds are governed by the Court Fees Act. However, the Evidence Act is not used.

46. (B) 3, 1, 2, 4
When a single party seeks to refer a pending case, a specific sequence must be followed. First, the party must make an application to the court. Next, the court must be prima facie satisfied that settlement is possible. Then, an opportunity to be heard is given to all parties. Finally, once these steps are complete, the case is referred.

47. (D) I, II, and III
A Lok Adalat award is characterized by its finality and legal weight. It is deemed to be a decree of a civil court and is binding on all parties involved in the dispute. To ensure that the settlement reached through compromise is truly final, the law explicitly states that no appeal can be filed against the award in any court.

48. (B) Refund of court fee - Court Fees Act, 1870
The procedural powers and rules of Lok Adalats are derived from several key pieces of legislation. While the Legal Services Authorities Act provides the primary structure, the Court Fees Act, 1870, specifically governs the refund of fees when a settlement is reached. This connection ensures that parties receive a clear financial benefit for choosing alternative dispute resolution methods.

49. (A) Only I and II
The statutory definitions under the Act clarify the status of Lok Adalats. They are deemed to be civil courts for the purpose of specific criminal procedure sections, ensuring they have necessary procedural authority. Additionally, the provision for Permanent Lok Adalats was officially added to Section 22 in 2002. However, the organizing authority, not just the Central Government, determines panel composition.

50. (D) Neither I nor II
The organization of Lok Adalats involves specific rules that are often misunderstood. Qualifications for the Supreme Court committee are prescribed by the Central Government, not the State Government. Furthermore, the panels are not limited to retired judicial officers; they must also include serving judicial officers and other persons specified by the organizing authority to ensure a diverse and balanced composition.

51. (A) I, II, III, and IV
Lok Adalats are mandated to act with expedition while guiding parties toward a compromise based on principles of justice and equity. If no settlement is reached in a pending case, the records must be returned to the court. Importantly, parties in a potential dispute do not lose their right to seek a court remedy if the Lok Adalat process fails.

52. (A) P-4, Q-1, R-3, S-2
The Legal Services Authorities Act is organized into sections that define the various aspects of the Lok Adalat system. Section 19 covers jurisdiction and organization, while Section 20 deals with the cognizance of cases. Section 21 defines the nature of the award, and Section 22 outlines the specific powers granted to these forums to facilitate effective dispute resolution.

53. (C) Potential dispute not settled - Lok Adalat passes a binding ex-parte award
The outcomes of Lok Adalat proceedings are based on mutual agreement rather than unilateral decisions. If a compromise is reached, the award is binding. If a pending case is not settled, it returns to court. However, if a potential dispute is not settled, the Lok Adalat cannot pass an award; it instead advises the parties to seek a court remedy.

54. (B) I, III, and IV
Section 22 of the Act provides Lok Adalats with essential civil court powers to manage proceedings effectively. These include summoning witnesses, enforcing their attendance, and the discovery of documents. They also have the authority to requisition public records. However, they do not possess the power to mandate the physical arrest of respondents, as they are non-adjudicatory settlement forums.

55. (B) Only II and III
The legal nature of Lok Adalats ensures their proceedings and outcomes are formal and enforceable. While an award is a judicial decree rather than an administrative order, court fees are refunded upon settlement. Additionally, the law deems all proceedings to be judicial within the meaning of the Indian Penal Code, ensuring the same legal protections and standards found in regular courts.

56. (A) P-3, Q-2, R-1, S-4
Section 22(1) of the Act lists the powers of Lok Adalats through distinct clauses. Clause (a) covers summoning witnesses, while (b) deals with document discovery. The reception of evidence on affidavits is categorized under clause (c), and the requisitioning of public records falls under clause (d). This structured list provides the legal basis for the forum's operational authority.

57. (A) I, II, III, and IV
The overall framework of Lok Adalats provides a nationwide mechanism for settling disputes, including NPAs for financial institutions. These forums have the power to determine their own procedures and acquire jurisdiction through consent or court referral. Crucially, their awards are deemed to be civil court decrees, granting

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them the same enforceability and finality as a traditional court order.

58. (A) Section 21 - Cognizance of Cases by Lok Adalats
Understanding the specific sections of the Legal Services Authorities Act is vital for procedural accuracy. While Section 22 covers powers and Section 19(5) defines jurisdiction, Section 21 actually addresses the nature and finality of the award. Cognizance of cases is handled under Section 20, making the pairing of Section 21 with cognizance factually incorrect within the statutory framework.

59. (A) I, II, and III
Lok Adalats are organized flexibly by various committees and consist of both judicial officers and other qualified persons from the area. While the organizing authority specifies these members, the role of the Central Government in prescribing qualifications is limited to the Supreme Court committee. For other committees, the State Government handles these prescriptions in consultation with the High Court.

60. (A) Only I
Every Lok Adalat is granted the essential power to specify its own procedure for determining the disputes brought before it. This allows for the flexibility needed to facilitate settlements. Furthermore, contrary to misconceptions, they do possess the legal authority to summon and enforce the attendance of witnesses, as this is a power vested in them under Section 22 of the Act.

61. (C) It is a binding civil court decree and final settlement for all parties.
When a bank and a debtor reach a compromise in a Lok Adalat, the resulting award carries significant legal weight. Under the Act, this settlement is deemed to be a decree of a civil court. It represents a final resolution that is legally binding on all parties, ensuring the agreement is enforceable without the need for further judicial ratification or review.

62. (A) Every Lok Adalat has the requisite powers to specify its own procedure for the determination of any dispute coming before it.
To maintain its effectiveness as a flexible settlement forum, Section 22(2) protects the procedural autonomy of Lok Adalats. They are not strictly bound by the rigid procedural rules that govern traditional civil trials. Instead, they have the statutory power to determine their own procedures, allowing them to adapt to the needs of each specific dispute and facilitate settlements.

63. (D) Assertion (A) is false, but Reason (R) is true.
The prescribing authority for member qualifications is determined by the specific committee involved. While the Central Government prescribes qualifications for the Supreme Court Legal Services Committee in consultation with the Chief Justice of India, it is the State Government that does so for Taluk and District committees. Therefore, the assertion regarding the Central Government's role in Taluk committees is incorrect.

64. (A) Yes, under Section 22, it has Civil Court powers including summoning of witnesses.
Lok Adalats possess specific statutory powers to ensure they can gather necessary information for settlements. Under Section 22 of the Act, they are vested with the same powers as a civil court regarding the summoning and enforcing of attendance of any witness. This includes the legal authority to examine witnesses under oath and demand the production of vital public documents.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The finality of a Lok Adalat award is established by its legal status as a civil court decree under Section 21. Because it is deemed a decree, it carries the full weight of a formal court order and is binding on all parties. This status is precisely why the law prohibits appeals, ensuring that the compromise remains a permanent resolution.

66. (B) By the Central Government in consultation with the Chief Justice of India
The Legal Services Authorities Act, 1987, differentiates between committees when setting qualifications for non-judicial members. For sessions organized by the Supreme Court Legal Services Committee, the Central Government holds the prescribing power. This process requires formal consultation with the Chief Justice of India, ensuring that the panel members meet

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the high standards required for such a high-level forum.

67. (C) The court must give an opportunity to be heard to both parties regarding the reference.
Before a court can refer a pending matter to a Lok Adalat based on a single party's application, it must follow mandatory procedural safeguards. Even if the court believes a settlement is likely, it is legally required to provide an opportunity for both parties to be heard. This ensures that the interests of the hesitant party are considered before the referral.

68. (C) Assertion (A) is true, but Reason (R) is false.
The jurisdiction of Lok Adalats is not limited to cases already in the court system. Under Section 19(5), they can take cognizance of disputes that fall within their jurisdiction but have not yet been filed as formal suits. This pre-litigation authority allows for the resolution of potential disputes before they become part of the heavy burden on regular courts.

69. (D) No appeal shall lie in any court against the award, as it is binding on all parties.
Once a Lok Adalat passes an award based on a compromise, the legal window for challenging it is closed. The Act explicitly states that no appeal shall lie against such an award in any court. This rule applies regardless of property value or procedural concerns, as the award is a final, binding decree intended to end the dispute once and for all.

70. (C) The power of requisitioning any public record or document from any court.
Lok Adalats are granted specific procedural tools to facilitate the settlement of disputes. Among these is the power to requisition any public record or document from any court or government office. This authority, derived from Section 22(1) of the Act, allows the presiding officers to obtain official information necessary for verifying facts and helping parties reach a fair compromise.

71. (D) Assertion (A) is false, but Reason (R) is true.
Natural justice requires that all parties be notified before a case is transferred to a different forum. In the context of Lok Adalats, a court cannot instantly refer a matter just because one party asked. The law mandates that a reasonable opportunity of being heard must be given to all parties involved before the court can finalize the referral.

72. (D) The Lok Adalat will advise the parties to seek remedy in a court, as no settlement was reached.
When a pre-litigation dispute brought to a Lok Adalat fails to reach a settlement, the forum cannot force a resolution. Unlike pending cases which are returned to their original court, potential disputes have no existing court record. Therefore, the appropriate statutory outcome is for the Lok Adalat to advise the parties to seek their remedy through a regular court.

73. (B) The award shall be deemed to be a decree of a civil court or an order of any other court.
The enforceability of a Lok Adalat award is guaranteed by its statutory status. According to the Act, every award signed by the parties and the presiding officers is deemed to be a decree of a civil court. This means it has the same legal force and finality as a judgment passed by a traditional court, making it fully enforceable.

74. (D) The State Government in consultation with the Chief Justice of the High Court
For Lok Adalats organized at the state or district level, the State Government is responsible for setting the standards for non-judicial members. According to Section 19(4), the experience and qualifications of these individuals must be prescribed by the State Government. This must be done in formal consultation with the Chief Justice of the High Court to ensure judicial quality.

75. (A) It may refer the matter to the Lok Adalat for determination only after giving an opportunity of hearing to Mr. Sharma.
When an authority receives an application to settle a potential dispute, it must follow natural justice protocols. Before referring the matter to a Lok Adalat, the authority must notify the other party and provide them with an opportunity to be heard. This allows the authority to fairly determine if the dispute is suitable for the Lok Adalat's settlement mechanism.

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ANSWERS

1. (B) 11.6.2002
The Legal Services Authorities Act, 1987, was modified to strengthen the alternative dispute resolution framework in India. Specifically, the Act was amended to introduce the concept of the Permanent Lok Adalat, which officially came into effect on June 11, 2002. This addition provides a specialized forum for resolving disputes related to public utility services through compulsory settlement.

2. (C) The award is binding only on the party who initiated the reference.
According to Section 21 of the Legal Services Authorities Act, 1987, any award passed by a Lok Adalat possesses the same status as a civil court decree. Crucially, such an award is legally binding on all parties involved in the dispute. This ensures that the settlement reached through compromise is final and enforceable against every participant.

3. (C) Serving or retired judicial officers and other persons of the area
The composition of a Lok Adalat is designed to combine judicial expertise with community-based insight. Each session is organized for a specific area and typically consists of serving or retired judicial officers alongside other persons from that locality. These individuals are selected by the organizing authority to facilitate effective compromises and settlements between the disputing parties through balanced mediation.

4. (C) Section 420
The Legal Services Authorities Act, 1987, stipulates that all proceedings before a Lok Adalat are judicial in nature. Specifically, they are deemed to be judicial proceedings within the meaning of Sections 193, 219, and 228 of the Indian Penal Code. This legal status ensures that the integrity of the process is maintained under established penal laws during the hearings.

5. (B) To enable flexibility and utmost expedition in arriving at a compromise or settlement
Lok Adalats are granted the power to specify their own procedures to ensure that dispute resolution is not hindered by technical formalities. This flexibility allows the forum to act with utmost expedition while helping parties reach a compromise. By avoiding rigid procedural requirements, the mechanism facilitates a faster, less formal environment that encourages amicable and efficient settlements.

6. (B) The authority must hear the other party and determine if the case warrants a Lok Adalat.
Before referring a non-pending or potential dispute to a Lok Adalat based on one party's application, a mandatory procedural step must be followed. The organizing authority is required to provide an opportunity for the other party to be heard. This ensures natural justice and allows the authority to determine if the matter is genuinely suitable for a settlement process.

7. (B) To compromise or settle disputes between parties
The fundamental goal of Lok Adalats under the Legal Services Authorities Act, 1987, is to provide an alternative to traditional litigation. Rather than delivering a verdict after a trial, these forums focus on facilitating a compromise or settlement between parties. This approach aims to reduce the burden on the regular court system while providing an amicable resolution.

8. (B) They are prescribed by the Central Government in consultation with the Chief Justice of India.
For Lok Adalats organized by the Supreme Court Legal Services Committee, the qualifications for non-judicial members are strictly regulated. The Central Government holds the authority to prescribe these qualifications. This is done in formal consultation with the Chief Justice of India to ensure that the individuals assisting the judicial officers possess the necessary experience and professional background for mediation.

9. (B) The attachment and sale of property before judgment
While Section 22(1) of the Act grants Lok Adalats several powers of a civil court, these powers are

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CHAPTER 22

The Consumer Protection Act, 2019

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May/June 2016

1. Consider the following statements regarding the definition of a "consumer":

I. The expression "commercial purpose" does not include use by a person of goods bought and used by him exclusively for the purpose of earning his livelihood by means of self-employment.

II. The expressions "buys any goods" and "hires or avails any services" are restricted strictly to offline transactions.

Which of the statements is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2009

2. Which of the following practices are included under "Unfair Trade Practice"?

I. Permitting the hoarding or destruction of goods to raise their cost.

II. Manufacturing of spurious goods or offering such goods for sale.

III. Not issuing a bill or cash memo for the goods sold.

IV. Refusing to take back defective goods within thirty days in the absence of a stipulated period.

V. Disclosing personal information given in confidence without legal backing.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2023

3. Which of the following best defines a "branch office" under the Consumer Protection Act, 2019?

(A) Only a place of work exclusively registered as a branch under the Companies Act, 2013
(B) Any temporary setup operating for less than thirty days to promote a specific product
(C) Any office described as a branch, or carrying on substantially the same activity as the head office
(D) An independent subsidiary established in a different State from the primary head office location

Oct/Nov 2018

4. What is the principal object of the Central, State, and District Consumer Protection Councils?

(A) To pass legally binding judicial orders for compensating aggrieved consumers
(B) To draft new consumer protection legislation for legislative approval
(C) To render advice on the promotion and protection of consumer rights under the Act
(D) To regulate the wholesale pricing of essential commodities across the country

May/June 2007

5. Identify the correct pair regarding the inclusion or exclusion of certain activities under the definition of "Service":

(A) Included in Service - Rendering of any service free of charge
(B) Included in Service - Boarding or lodging facilities
(C) Excluded from Service - Provision of facilities in connection with banking
(D) Excluded from Service - Entertainment and amusement facilities

Oct/Nov 2025

6. The District Consumer Protection Council of a particular district held only one meeting during the entire calendar year. The Collector argues that since there were no major consumer disputes, one meeting was sufficient. According to the Consumer Protection Act, 2019, is this action compliant?

(A) Yes, the frequency of meetings is entirely at the discretion of the Collector.
(B) No, the District Council is legally mandated

May/June 2024

31. As per the December 2021 Notification, what is the maximum pecuniary jurisdiction of the District Commission for entertaining complaints?
(A) Value of goods or services does not exceed twenty lakh rupees
(B) Value of goods or services does not exceed fifty lakh rupees
(C) Value of goods or services exceeds fifty lakh rupees but does not exceed one crore rupees
(D) Value of goods or services does not exceed one crore rupees

Oct/Nov 2008

32. Consider the following statements regarding the National Commission:
I. The National Commission shall ordinarily function at the National Capital Region.
II. The Central Government may establish regional Benches of the National Commission.
Which of the statements is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

May/June 2006

33. Consider the following statements regarding appeals against orders passed by the Central Authority:
I. Any person aggrieved by an order passed by the Central Authority may file an appeal to the National Commission.
II. The appeal must be filed within a period of thirty days from the date of receipt of such order.
Which of the statements is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2017

34. Which of the following is the correct statement regarding the limitation period for filing a complaint under the Consumer Protection Act, 2019?
(A) A complaint must be filed within one year from the date on which the cause of action has arisen.
(B) A complaint must be filed within two years from the date on which the cause of action has arisen.
(C) A complaint must be filed within three years from the date on which the cause of action has arisen.
(D) There is no statutory limitation period for filing consumer complaints.

May/June 2008

35. A District Commission passes an order directing a service provider to refund Rs. 40 Lakhs to a consumer. The service provider wishes to appeal this order at the State Commission. What mandatory condition must the service provider fulfill for the appeal to be entertained?
(A) Deposit the entire Rs. 40 Lakhs with the State Commission before the hearing begins
(B) Deposit fifty per cent of the ordered amount in the prescribed manner
(C) Obtain a No-Objection Certificate from the original complainant before the appeal
(D) Provide a bank guarantee for Rs. 10 Lakhs to the District Commission treasury

Oct/Nov 2013

36. The Consumer Protection Act, 2019 envisages the establishment of a Consumer Mediation Cell to be attached to various institutions. Which of the following institutions is NOT statutorily mandated to have a Consumer Mediation Cell attached to it?
(A) The Central Consumer Protection Authority
(B) The National Consumer Disputes Redressal Commission
(C) All Regional Benches of the National Commission
(D) Every District Consumer Disputes Redressal Commission

May/June 2015

37. Which of the following are statutory functions of the Central Authority (CCPA)?
I. Protect, promote, and enforce the rights of consumers as a class.
II. Ensure no false or misleading advertisement is made.
III. File complaints before the District, State, or National Commission.
IV. Issue safety notices to alert consumers against dangerous goods.
V. Direct a convicted trader to serve a

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ordinary price, or reasonably understood as such
(B) The exact manufacturing cost of the product without any markup for the retail environment
(C) The price at which goods are sold during a clearance sale exclusively to internal employees
(D) A wholesale price that is only applicable for corporate purchases exceeding a bulk threshold

Oct/Nov 2022

14. Which of the following statements correctly represents the definition of a "person" as per the Consumer Protection Act, 2019?
(A) A person strictly includes only an individual or a legally registered firm
(B) An association of persons must necessarily be registered under the Societies Registration Act, 1860
(C) A person includes an individual, a firm, a Hindu undivided family, and a co-operative society
(D) Artificial juridical persons are explicitly excluded from the definition of a person under the Act

May/June 2018

15. Match the Councils/Authorities in List I with their respective Chairpersons or Heads in List II:
List I: (Councils/Authorities)
P. Central Consumer Protection Council
Q. State Consumer Protection Council
R. District Consumer Protection Council
S. Central Consumer Protection Authority
List II: (Chairpersons or Heads)
1. Chief Commissioner
2. Collector of the district
3. Minister-in-charge of Consumer Affairs in the State Government
4. Minister-in-charge of the Department of Consumer Affairs in the Central Government
Select the correct option:
(A) P-4, Q-3, R-2, S-1
(B) P-3, Q-4, R-1, S-2
(C) P-1, Q-2, R-3, S-4
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2016

16. What is the primary objective of the Consumer Protection Act, 2019?
(A) To protect consumer interests and establish authorities for timely dispute settlement
(B) To provide an exclusive legal framework for resolving international commercial disputes
(C) To strictly regulate the manufacturing standards of all fast-moving consumer goods
(D) To establish a direct tax mechanism for funding national consumer awareness programs

May/June 2014

17. Who serves as the Chairperson of the State Consumer Protection Council?
(A) The Minister-in-charge of Consumer Affairs in the State Government
(B) The Chief Minister of the respective State Government authority
(C) The Governor of the respective State acting as the official patron
(D) A retired judge of the State High Court with consumer law expertise

Oct/Nov 2007

18. A valid "complaint" under the Act includes an allegation in writing regarding which of the following?
I. An unfair contract has been adopted by a service provider.
II. The goods bought suffer from one or more defects.
III. A service provider has charged a price in excess of the price fixed by law.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2025

19. A trader conducts a scheme offering prizes to promote a business interest but withholds information about the final results from the participants on its closure. Which is the most appropriate presumption made under the Consumer Protection Act regarding this practice?
(A) The participants are entirely responsible for seeking out the results independently

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to hold not less than two meetings every year.
(C) Yes, provided the State Government grants a post-facto exemption.
(D) No, the District Council must hold exactly one meeting every quarter.

May/June 2012

7. Arrange the following events regarding the Consumer Protection Act, 2019 in the correct chronological order:
I. The Central Consumer Protection Authority came into effect.
II. The Consumer Protection Act, 2019 was enacted.
III. The Consumer Protection Act, 2019 came into force.
Which of the following represents the correct sequence?
(A) I, II, III
(B) II, III, I
(C) III, II, I
(D) II, I, III

Oct/Nov 2014

8. A consumer takes a personal loan from a bank. Due to a temporary financial crisis, the consumer misses one EMI. The bank subsequently imposes a penalty that is five times the EMI amount, which is wholly disproportionate to the actual loss suffered by the bank. Under which specific concept can the consumer challenge this action?
(A) Restrictive Trade Practice
(B) Unfair Contract
(C) Product Liability
(D) Spurious Goods Manufacturing

May/June 2019

9. In the context of an unfair trade practice, the disclosure of personal information given in confidence by a consumer is prohibited, EXCEPT when:
(A) The disclosure is made to an affiliate marketing company to provide better product recommendations.
(B) The disclosure is made in accordance with the provisions of any law for the time being in force.
(C) The consumer has previously purchased a similar product from a competitor.
(D) The trader believes the information is already available in the public domain.

Oct/Nov 2006

10. Mr. Sharma purchases a high-end commercial baking oven exclusively for starting a small home-bakery to earn his livelihood through self-employment. Does he fall under the definition of a "consumer"?
(A) No, because purchasing commercial equipment automatically categorizes the transaction as a commercial purpose
(B) No, because only goods meant for direct personal consumption, like groceries, qualify under consumer laws
(C) Yes, because use of goods for earning a livelihood by self-employment is exempt from commercial exclusion
(D) Yes, provided he registers his home-bakery as a limited company under the relevant corporate regulations

May/June 2021

11. Which of the following statements is correct regarding the establishment of the Central Consumer Protection Authority (CCPA)?
(A) It is established by the Supreme Court of India to mediate all federal consumer disputes
(B) It is established independently by each State Government to function concurrently with Commissions
(C) It is an autonomous private body funded entirely by registered voluntary consumer associations
(D) It is established by the Central Government to regulate consumer rights violations and false ads

Oct/Nov 2010

12. In the context of the Consumer Protection Act, 2019, who is recognized as the complainant in the event that the consumer is a minor?
(A) The minor themselves, provided they have a bank account in their name
(B) The State Commission acting as a legal representative
(C) The minor's parent or legal guardian
(D) Any adult relative residing in the same household

May/June 2005

13. Under the definition of unfair trade practices, what does the term "bargain price" mean?
(A) A price stated in an ad by reference to an

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(B) Giving a warranty not based on an adequate or proper test - Valid Trade Practice
(C) Representing that goods have sponsorship which they do not have - Unfair Trade Practice
(D) Materially misleading the public concerning the price of a product - Unfair Trade Practice

Oct/Nov 2005

26. A voluntary consumer association, registered under the Societies Registration Act, wishes to file a complaint against a bank for arbitrary service charges on behalf of its members. Under the Consumer Protection Act, 2019, can the association be considered a valid "complainant"?
(A) No, as only the specific individual who personally suffered the loss can act as a complainant
(B) Yes, provided that the association receives prior written permission from the Central Government
(C) No, because consumer associations are strictly limited to mediating and cannot file formal complaints
(D) Yes, any voluntary consumer association registered under current law qualifies as a complainant

May/June 2020

27. Consider the following statements regarding the District Consumer Protection Council:
I. It is established by the State Government for every District.
II. The Collector of the district serves as its Chairperson.
III. It must meet as and when necessary, but not less than two meetings shall be held every year.
Which of the statements is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2015

28. How is a "defect" defined in the context of goods or products under the Consumer Protection Act, 2019?
(A) Any fault in the quality, quantity, potency, purity, or standard required by law or contract
(B) Any physical damage that occurs exclusively during the shipping and handling process by a carrier
(C) An intentional act of negligence by a service provider that causes injury to the final consumer
(D) A discrepancy between the final sale price and the maximum retail price printed on the package

May/June 2013

29. A consumer purchased a defective mobile phone from an electronics store. The store did not issue a bill with a stipulated return period. The consumer returned to the store after twenty-five days to demand a refund and return the defective device. The store refused, stating returns are only valid for seven days. Does this constitute an unfair trade practice?
(A) No, because the standard market practice is a seven-day return window for all electronics
(B) No, because electronic items are exempt from mandatory return policies unless explicitly written
(C) Yes, because in the absence of a stipulated period, refusing returns within thirty days is unfair
(D) Yes, but only if the consumer can prove the mobile phone was defective at the time of purchase

Oct/Nov 2021

30. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Delay beyond the period agreed to by a trader in supply of goods, leading to a rise in price, is considered a restrictive trade practice.
Reason (R): Restrictive trade practices tend to bring about manipulation of price or affect flow of supplies in the market to impose unjustified costs on consumers.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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I. The State Commission shall ordinarily function at the State capital.
II. The State Government may establish regional benches of the State Commission.
III. Each State Commission shall consist of a President and not less than four members.

Which combination of statements is correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2023

45. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): Every order made by a District Commission, State Commission, or National Commission shall be enforced in the same manner as if it were a decree made by a Court in a civil suit.

Reason (R): The provisions of Order XXI of the First Schedule to the Code of Civil Procedure, 1908 are applicable, subject to necessary modifications, for the enforcement of these orders.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2018

46. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): The Central Authority may inquire or cause an investigation to be made into violations of consumer rights either suo-motu or on a complaint received.

Reason (R): The Central Authority has an Investigation Wing for the purpose of conducting inquiries or investigations under the Act.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2007

47. According to Section 68 of the Consumer Protection Act, 2019, what happens to an order passed by a Redressal Commission if no appeal is preferred against it?
(A) It must be re-verified by the Central Authority.
(B) It becomes final.
(C) It is automatically stayed until confirmed by the respective State Government.
(D) It lapses after a period of one year.

Oct/Nov 2025

48. A consumer residing in City A wishes to file a complaint against a manufacturing company headquartered in City B. However, the company has a functioning branch office in City A. Can the consumer legally institute the complaint in the District Commission of City A?
(A) No, complaints must exclusively be filed where the opposite party's head office is situated
(B) Yes, a complaint can be filed where the opposite party has a branch office
(C) No, complaints must be filed in the State capital regardless of the location of branch offices
(D) Yes, but only after obtaining special permission from the National Commission before filing

May/June 2012

49. The National Commission has the jurisdiction to entertain which of the following matters?
I. Complaints where the value of goods or services exceeds two crore rupees (Post Dec 2021).
II. Complaints against unfair contracts exceeding ten crore rupees.
III. Appeals against the orders of any State Commission.
IV. Appeals against the orders of the Central Authority.
V. Revision petitions against District Commission orders where the State Commission has already passed an order.

Which of the above statements are correct?

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mandatory prison sentence without judicial trial.

Which of the above statements are correct?

(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2012

38. Arrange the following steps in the correct procedural sequence when members of a Bench of the State Commission differ in opinion on a point:

I. The point or points are decided according to the opinion of the majority of the members who have heard the case, including those who first heard it.
II. The members state the point or points on which they differ.
III. The President or other members give their opinion on the points referred within a period of one month.
IV. A reference is made to the President who shall either hear the point himself or refer the case to one or more other members.

Which of the following represents the correct sequence?

(A) II, IV, III, I
(B) I, II, III, IV
(C) II, I, IV, III
(D) IV, II, I, III

May/June 2011

39. Identify the incorrect pair regarding the pecuniary jurisdiction for complaints against "unfair contracts":

(A) State Commission - Value of goods or services does not exceed ten crore rupees
(B) National Commission - Value of goods or services exceeds ten crore rupees
(C) District Commission - Value of goods or services does not exceed ten crore rupees
(D) National Commission - Value of goods or services does not exceed one crore rupees

Oct/Nov 2020

40. Identify the correct pair matching the Redressal Commission with its pecuniary jurisdiction as per the December 30, 2021 notification:

(A) District Commission - Exceeds fifty lakh rupees but does not exceed two crore rupees
(B) State Commission - Exceeds fifty lakh rupees but does not exceed two crore rupees
(C) National Commission - Exceeds ten crore rupees
(D) State Commission - Exceeds two crore rupees

May/June 2022

41. A State Commission prepares a panel of mediators on the recommendation of a selection committee. According to the Act, for what duration is this empanelled list of mediators valid?

(A) Two years
(B) Three years
(C) Five years
(D) Ten years

Oct/Nov 2023

42. A major commercial bank launches an advertising campaign promising "zero interest loans" but hides significant processing fees and mandatory insurance costs in fine print, fundamentally altering the actual cost of the loan. Can the Central Authority intervene directly?

(A) No, banking matters are exclusively regulated by the RBI, and the Authority has no jurisdiction
(B) No, the Authority can only act if all affected consumers file a joint suit at the National Commission
(C) Yes, the CCPA can inquire into false advertisements and unfair trade practices prejudicial to consumers
(D) Yes, but only if the bank's headquarters are located within the National Capital Region boundaries

May/June 2016

43. A retired high court judge aged 66 is appointed as the President of a State Commission. According to the updated rules regarding the term of office, how long can this individual serve before reaching the mandatory age limit?

(A) 4 years
(B) 5 years
(C) 1 year
(D) 2 years

Oct/Nov 2009

44. Consider the following statements regarding the State Commission:

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(B) The scheme is automatically deemed to be an illegal lottery and void from the start
(C) The trader is exempt from declaring results if no purchase was required to enter
(D) Participants are deemed informed if results are published as originally advertised

Oct/Nov 2019

20. Which of the following terms in a contract between a bank and a consumer would classify it as an "unfair contract"?
I. Requiring manifestly excessive security deposits for the performance of obligations.
II. Imposing a penalty for breach of contract that is wholly disproportionate to the loss occurred.
III. Refusing to accept early repayment of debts even upon payment of the applicable penalty.
IV. Entitling the bank to terminate the contract unilaterally without reasonable cause.
Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, II, and IV only
(D) I, II, III, and IV

May/June 2009

21. Which of the following accurately describe the composition of the State Consumer Protection Council?
I. It includes the Minister-in-charge of Consumer Affairs in the State Government as Chairperson.
II. It includes a prescribed number of official and non-official members representing relevant interests.
III. It includes such number of other official or non-official members, not exceeding ten, nominated by the Central Government.
IV. It includes the Chief Justice of the State High Court as an ex-officio member.
Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, II, and IV only
(D) I, III, and IV only

Oct/Nov 2011

22. Which of the following individuals is explicitly excluded from the definition of a "consumer"?
(A) A person who buys goods through an online electronic transaction
(B) A person who obtains goods for resale or for any commercial purpose
(C) A person who hires a service under a system of deferred payment
(D) A person who uses goods with the approval of the original buyer

May/June 2010

23. Match the following terms in List I with their corresponding definitions in List II:
List I: (Terms)
P. Deficiency
Q. Consumer dispute
R. Regulator
S. Person
List II: (Definitions)
1. Includes a co-operative society and a Hindu undivided family
2. A dispute where the person against whom a complaint is made denies or disputes the allegations
3. Any fault, imperfection, or inadequacy in the quality or nature of performance of a service
4. A body or authority established under any other law for the time being in force
Select the correct option:
(A) P-3, Q-2, R-4, S-1
(B) P-2, Q-3, R-1, S-4
(C) P-4, Q-1, R-3, S-2
(D) P-1, Q-4, R-2, S-3

Oct/Nov 2024

24. Which of the following statements is incorrect regarding the Central Consumer Protection Council?
(A) It is established by the Central Government via notification.
(B) It functions as an advisory council.
(C) The Chairperson of the Council is the Minister-in-charge of the Department of Consumer Affairs in the Central Government.
(D) It must meet at least four times every year.

May/June 2017

25. Identify the incorrect pair regarding practices and their classification as "Unfair Trade Practices":
(A) Falsely representing that goods are of a particular standard - Unfair Trade Practice

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(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2014

50. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): The State Commission can call for the records and pass appropriate orders in any consumer dispute pending before a District Commission.

Reason (R): This power is exercised where it appears the District Commission has exercised a jurisdiction not vested in it by law, or failed to exercise a vested jurisdiction, or acted illegally or with material irregularity.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2019

51. Every consumer mediation cell is required by law to maintain which of the following?

I. A list of empaneled mediators.
II. A list of cases handled by the cell.
III. The record of proceeding.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2006

52. What is the most appropriate composition of a District Commission as mandated by the Act?

(A) A President and exactly two other members
(B) A President and four members, including at least one woman
(C) A single judicial officer designated as the President without any members
(D) A President and at least two members up to the number prescribed

May/June 2021

53. Which of the following statements is incorrect regarding an appeal to the State Commission against an order of the District Commission?

(A) Any person aggrieved by an order of the District Commission may prefer a formal appeal to the State Commission
(B) The appeal must generally be filed within a period of forty-five days from the date of the order
(C) No appeal is entertained unless the person deposits twenty-five percent of the amount
(D) The State Commission may entertain a delayed appeal if satisfied there was a sufficient cause for the wait

Oct/Nov 2010

54. According to the Ministry of Consumer Affairs Notification dated 30th December 2021, which of the following statements regarding revised pecuniary jurisdictions are correct?

I. District Commission jurisdiction is up to fifty lakh rupees.
II. State Commission jurisdiction exceeds fifty lakh rupees but does not exceed two crore rupees.
III. National Commission jurisdiction exceeds two crore rupees.
IV. The Central Authority's pecuniary limit was increased to five crore rupees.

Which of the above statements are correct?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2005

55. Match the positions in the Consumer Disputes Redressal Commissions in List I with their respective terms of office and age limits in List II:

List I: (Positions)
P. State Commission President
Q. District Commission Member
R. National Commission President
S. National Commission Member

List II: (Terms and Age Limits)
1. Up to the age of 70 years
2. Up to the age of 67 years
3. 4 years or up to the age of 67 years
4. 4 years or up to the age of 65 years

Select the correct option:

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(A) P-3, Q-4, R-1, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2022

56. According to the definitions in the Consumer Protection Act, 2019, what does "Regulator" mean?
(A) A body or any authority established under any other law for the time being in force
(B) Only the Reserve Bank of India and the Securities and Exchange Board of India
(C) The Central Consumer Protection Authority exclusively
(D) The President of the National Consumer Disputes Redressal Commission

May/June 2018

57. A consumer discovers a systematic billing error by their bank exactly three years after the cause of action arose. The consumer attempts to file a complaint at the District Commission. Under what circumstances can the District Commission entertain this delayed complaint?
(A) If the complainant shows sufficient cause for the delay, and the Commission records its reasons
(B) Only if the District Commission uses its absolute discretionary power without requiring evidence
(C) Not under any circumstances because the strict limitation period of two years is absolutely final
(D) If the consumer pays a statutory late fee penalty equal to the total value of the disputed amount

Oct/Nov 2016

58. A complaint shall be instituted in a District Commission within the local limits of whose jurisdiction all the following conditions may apply, EXCEPT:
(A) The opposite party's legal counsel is registered and practices law.
(B) The opposite party ordinarily resides or carries on business or has a branch office.
(C) The cause of action, wholly or in part, arises.
(D) The complainant resides or personally works for gain.

May/June 2014

59. A corporate entity is aggrieved by an original order made by the National Commission. The entity wishes to appeal to the Supreme Court. Within what timeframe from the date of the order must the appeal be filed?
(A) Fifteen days
(B) Thirty days
(C) Forty-five days
(D) Sixty days

Oct/Nov 2007

60. The State Commission has the jurisdiction to entertain which of the following?
I. Complaints where the value of goods or services paid as consideration exceeds fifty lakhs but does not exceed two crore rupees (Post Dec 2021).
II. Complaints against unfair contracts where the value of goods or services does not exceed ten crore rupees.
III. Appeals against the orders of any District Commission within the State.
IV. Appeals against the orders of the Central Authority.
Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

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May/June 2025

61. The "right to consumer awareness" is explicitly categorized under the Act as:
(A) A fundamental duty of the State Governments
(B) An optional objective of the District Councils
(C) One of the recognized "Consumer rights"
(D) A restrictive trade practice if misused

Oct/Nov 2019

62. Which of the following statutory limits and timelines are correctly paired as per the Act?
I. Appeal from District to State Commission: 45 days.
II. Limitation period to file a complaint: 2 years.
III. Validity of mediator panel: 5 years.
IV. State Commission jurisdiction for unfair contracts: Up to 10 crore rupees.
V. Decision by President on differing opinions in a Bench: 1 month.

Which of the above statements are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2009

63. According to the definition of "Consumer Rights", goods and services which are hazardous to life and property are subject to which specific consumer right?
(A) The right to protection against marketing of hazardous goods or services
(B) The right to be assured access to a variety of goods at competitive prices
(C) The right to seek redressal against unscrupulous exploitation of consumers
(D) The right to consumer awareness through education and regular information

Oct/Nov 2011

64. Which of the following scenarios are illustrative of a "Restrictive trade practice"?
I. A practice tending to bring about manipulation of price or affect flow of supplies in the market.
II. Imposing unjustified costs or restrictions on consumers.
III. Delay beyond the agreed period in supplying goods, likely to lead to a rise in price.
IV. Requiring a consumer to buy other goods or services as a condition precedent for buying the desired goods.
Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2010

65. When a consumer dispute is referred for mediation, what is the most appropriate set of guiding factors for the mediator while conducting the mediation?
(A) Strict adherence to the Indian Evidence Act and the Code of Criminal Procedure protocols
(B) The financial capability of the service provider and maximizing the total penalty amount
(C) The rights of the parties, usages of trade, circumstances, and principles of natural justice
(D) Ensuring the matter is escalated back to the Commission within seven days regardless of result

Oct/Nov 2024

66. Which of the following statements regarding the Central Consumer Protection Authority (CCPA) is incorrect?
(A) The CCPA can recommend the adoption of international covenants and best practices.
(B) The headquarters of the CCPA must strictly be located within the State of Maharashtra.
(C) The CCPA can mandate the use of unique and universal goods identifiers.
(D) The CCPA consists of a Chief Commissioner and such number of other Commissioners as prescribed.

May/June 2017

67. A consumer buys a laptop through a multi-level marketing scheme exclusively for personal use. Does this transaction fall under the purview of "buying goods" under the Consumer Protection Act, 2019?
(A) No, multi-level marketing is completely outside the jurisdiction of consumer protection laws
(B) No, because multi-level marketing implies a commercial intent by default in every transaction
(C) Yes, the expression "buys any goods" includes transactions through multi-level marketing
(D) Yes, but only if the payment was made entirely in cash without any digital record of the sale

Oct/Nov 2005

68. The term "Consumer Rights" includes which of the following?
I. The right to be informed about the quality, quantity, potency, purity, standard and price of goods.
II. The right to be assured access to a variety of goods at competitive prices.
III. The right to be heard and assured that interests will receive due consideration.
IV. The right to seek redressal against unfair trade practices.
V. The right to consumer awareness.
Which of the above statements are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only

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(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2020

69. What is the most appropriate action the Central Government can take if it deems it necessary to delegate the powers of the Central Authority?
(A) It can temporarily suspend the Act and pass an executive order.
(B) It can transfer the powers directly to the respective District Collectors without notification.
(C) It can abolish the Central Authority and rely solely on the National Commission.
(D) It may notify a statutory body to perform the functions of the Central Authority.

Oct/Nov 2015

70. A retail store advertises a "free" accessory with the purchase of a washing machine. However, the store covertly inflated the price of the washing machine to fully cover the cost of the "free" accessory. Under the Consumer Protection Act, 2019, how is this practice classified?
(A) A valid marketing strategy not covered under the Act
(B) A Restrictive Trade Practice
(C) An Unfair Trade Practice
(D) A Product Liability Defect

May/June 2013

71. Match the following Appellate actions in List I with their prescribed statutory time limits in List II:
List I: (Appellate Actions)
P. Appeal against a District Commission order to the State Commission
Q. Appeal against a State Commission order to the National Commission
R. Appeal against a Central Authority order to the National Commission
S. Admission of an original consumer complaint from the cause of action
List II: (Statutory Time Limits)
1. Two years
2. 30 days
3. 45 days
4. 30 days
Select the correct option:
(A) P-3, Q-2, R-4, S-1
(B) P-2, Q-3, R-1, S-4
(C) P-4, Q-1, R-3, S-2
(D) P-1, Q-4, R-2, S-3

Oct/Nov 2021

72. Which of the following statements incorrectly interprets the definition of a "person" under the Act?
(A) An individual and a Hindu undivided family are both considered persons.
(B) A co-operative society is recognized as a person.
(C) Any corporation or company is recognized as a person.
(D) A firm must necessarily be registered to be recognized as a person.

May/June 2024

73. A consumer faces a deficiency in banking services resulting in a disputed amount of Rs. 40 Lakhs. The consumer files a complaint at the District Commission. The Commission refers the matter to the attached Consumer Mediation Cell, but mediation fails. The Commission then passes an order in favor of the consumer. The bank files an appeal at the State Commission after 30 days. Based exclusively on the provisions of the Act, is the bank's appeal procedurally valid?
(A) No, because mediation failure automatically makes the District Commission's order final
(B) Yes, because the appeal was filed within the 45-day statutory limit for such orders
(C) No, because the disputed amount exceeds the District Commission's pecuniary jurisdiction
(D) Yes, but only if the bank deposits the entire Rs. 40 Lakhs with the State Commission

Oct/Nov 2008

74. Which of the following is a correct statement regarding the functioning of the State Commission?
(A) The State Commission can only conduct hearings with all members present simultaneously.
(B) A Bench of the State Commission can be presided over by any member, regardless of seniority.
(C) The State Commission cannot exercise jurisdiction over unfair contracts under any circumstances.
(D) The jurisdiction and authority may be exercised by Benches constituted by the President.

NODIA

May/June 2006

75. Consider the following statements regarding the definition of "Service":

I. It includes the provision of facilities in connection with banking, financing, insurance, and transport.

II. Deliberate withholding of relevant information by a service provider that causes loss or injury is considered a "deficiency" in service.

Which of the statements is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2017

76. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): If a trader provides a warranty or guarantee that is not based on an adequate or proper test, it is considered an unfair trade practice.

Reason (R): Where a defense is raised that such warranty is based on an adequate test, the burden of proof of such defense lies on the consumer raising the complaint.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2008

77. Consider the following statements regarding the State Consumer Protection Council:

I. It is an advisory council.

II. It must meet at least twice every year.

III. Its object is to render advice on promotion and protection of consumer rights within the State.

Which of the statements is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2013

78. The definition of "Service" under the Act includes various facilities. Which of the following is specifically excluded from the scope of "Service"?

(A) Facilities in connection with banking and financing operations
(B) Rendering of service free of charge or under a contract of personal service
(C) The supply of electrical or other forms of industrial or domestic energy
(D) Purveying of news or other types of information for public consumption

May/June 2015

79. Match the sections of the Act in List I with the corresponding establishment or authority they provide for in List II:

List I: (Sections of the Act)

P. Section 10
Q. Section 28
R. Section 42
S. Section 53

List II: (Establishment or Authority)

1. National Consumer Disputes Redressal Commission
2. State Consumer Disputes Redressal Commission
3. Central Consumer Protection Authority
4. District Consumer Disputes Redressal Commission

Select the correct option:

(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-1, Q-2, R-3, S-4
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2012

80. According to Section 2 of the Act, against whom does a claim for "product liability action" lie?

(A) Against the product manufacturer, seller, or service provider, as the case may be
(B) Only against the product manufacturer responsible for the design of the good
(C) Only against the product seller who directly transacted with the consumer
(D) Only against the product service provider responsible for maintenance and repair

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the date on which the cause of action has arisen. This statutory requirement ensures that disputes are brought before the commissions in a timely manner for effective resolution.

35. (B) Deposit fifty per cent of the ordered amount in the prescribed manner
According to Section 41, no appeal by a person who is required to pay any amount in terms of an order of the District Commission shall be entertained by the State Commission unless the appellant has deposited fifty per cent of that amount. This mandatory deposit acts as a safeguard against frivolous appeals and ensures that the consumer's interests are partially secured.

36. (A) The Central Consumer Protection Authority
The Consumer Protection Act, 2019, mandates the establishment of Consumer Mediation Cells attached to the District Commissions, the State Commissions, and the National Commission, including any regional Benches. These cells are designed to facilitate the settlement of disputes through mediation. However, there is no statutory requirement under the Act to attach a Consumer Mediation Cell to the Central Consumer Protection Authority.

37. (A) I, II, III, and IV only
The Central Authority is empowered to protect and enforce consumer rights as a class while ensuring no false advertisements are made. It can file complaints before various Commissions and issue safety notices regarding dangerous goods. However, the Authority does not have the power to impose mandatory prison sentences without a judicial trial, as such penal powers remain within the formal judicial domain.

38. (A) II, IV, III, I
When members of a Bench differ, they must first state the points of difference. The matter is then referred to the President, who either hears it or refers it to other members. These members must provide their opinion within one month. Finally, the case is decided according to the majority opinion of all members involved, ensuring a fair and structured resolution process.

NODIA

39. (C) District Commission - Value of goods or services does not exceed ten crore rupees
The District Commission does not have the jurisdiction to entertain complaints specifically against "unfair contracts." Under Section 47 and Section 58, the power to entertain such complaints is vested exclusively in the State Commission for cases up to ten crore rupees and in the National Commission for cases exceeding ten crore rupees. Therefore, the pair involving the District Commission is incorrect.

40. (B) State Commission - Exceeds fifty lakh rupees but does not exceed two crore rupees
Per the updated notification from December 2021, the State Commission's pecuniary jurisdiction is specifically defined. It entertains complaints where the value of goods or services paid as consideration exceeds fifty lakh rupees but does not exceed two crore rupees. This revision updated the previous limits to ensure a more efficient distribution of cases within the national consumer dispute redressal hierarchy.

41. (C) Five years
Section 75 of the Act provides for the preparation of a panel of mediators by the District, State, and National Commissions. These panels are prepared on the recommendation of a selection committee. According to the Act, the empanelled list of mediators is valid for a period of five years. This ensures a stable and qualified pool of individuals available for mediation services.

42. (C) Yes, the CCPA can inquire into false advertisements and unfair trade practices prejudicial to consumers
The Central Consumer Protection Authority (CCPA) has a broad mandate under Section 18 to protect consumer rights. This includes the power to inquire into violations of consumer rights and investigate false or misleading advertisements. Even if a sector has its own regulator, the CCPA can intervene if the practice is prejudicial to the interests of consumers as a class across the country.

43. (C) 1 year
The President of a State Commission holds office for a term of four years or until reaching the age of sixty-seven years, whichever is earlier. For a retired high court judge appointed at age sixty-

9. (B) The disclosure is made in accordance with the provisions of any law for the time being in force.
Disclosing personal information given by a consumer in confidence is classified as an unfair trade practice. However, Section 2(47)(ix) provides an exception if the disclosure is made in accordance with the provisions of any law. Legal requirements for disclosure override the general prohibition, whereas disclosures for marketing or based on trader belief remain prohibited and actionable under the Consumer Protection Act.

10. (C) Yes, because use of goods for earning a livelihood by self-employment is exempt from commercial exclusion
The definition of a consumer excludes transactions for commercial purposes. However, the explanation to Section 2(7) clarifies that commercial purpose does not include use by a person of goods bought and used exclusively for earning a livelihood through self-employment. Since the baking oven is used for this specific personal livelihood purpose, the buyer qualifies as a consumer under the consumer protection laws.

11. (D) It is established by the Central Government to regulate consumer rights violations and false ads
The Central Consumer Protection Authority is established by the Central Government under Section 10. Its primary purpose is to regulate matters relating to the violation of consumer rights, unfair trade practices, and false or misleading advertisements which are prejudicial to the interests of the public. It functions as a regulatory body to protect, promote, and enforce the rights of consumers nationwide.

12. (C) The minor's parent or legal guardian
Under Section 2(5) of the Act, a complainant includes a consumer or any voluntary consumer association. In the specific case of a consumer being a minor, the parent or legal guardian is recognized as the person entitled to file the complaint on their behalf. This ensures that the interests of minors are protected through representation by their responsible legal guardians in consumer commissions.

13. (A) A price stated in an ad by reference to an ordinary price, or reasonably understood as such
A bargain price is defined as a price stated in an advertisement in a way that refers to an ordinary price or is likely to be understood by consumers as such. It also refers to a price that is lower than the price at which the goods or services are ordinarily sold. This definition is crucial for identifying misleading advertisements regarding discounts and sales.

14. (C) A person includes an individual, a firm, a Hindu undivided family, and a co-operative society
Section 2(31) provides an inclusive definition of a person. It includes an individual, a firm whether registered or not, a Hindu undivided family, and a co-operative society. It also encompasses any association of persons, whether registered under the Societies Registration Act or not, and every artificial juridical person. This ensures a wide range of entities can be held liable under consumer law.

15. (A) P-4, Q-3, R-2, S-1
The Central Consumer Protection Council is chaired by the Central Minister for Consumer Affairs. The State Council is chaired by the State Minister for Consumer Affairs. The District Council is chaired by the District Collector. The Central Consumer Protection Authority is headed by the Chief Commissioner. This hierarchical structure ensures political and administrative leadership across various levels of consumer protection in India.

16. (A) To protect consumer interests and establish authorities for timely dispute settlement
The primary objective of the Consumer Protection Act, 2019, is to provide for the protection of the interests of consumers. It seeks to establish authorities for timely and effective administration and settlement of consumer disputes. This includes setting up the Central Consumer Protection Authority and various Redressal Commissions to ensure consumers have accessible and efficient mechanisms to resolve their grievances.

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ANSWERS

1. (A) Only I is correct
Section 2(7) defines a consumer and excludes persons who buy goods for commercial purposes. However, buying goods exclusively for earning a livelihood by means of self-employment is not considered a commercial purpose. The definition also covers transactions through both offline and online modes. Therefore, the exclusion of online transactions in the second statement is legally incorrect as per the Act.

2. (D) I, II, III, IV, and V
Section 2(47) defines unfair trade practices broadly. It includes actions like hoarding or destroying goods to increase prices and manufacturing spurious goods. Furthermore, not issuing bills, refusing to return defective goods within thirty days without a stipulated period, and unauthorized disclosure of personal information are specifically listed. All these practices qualify as unfair trade practices under the current consumer laws.

3. (C) Any office described as a branch, or carrying on substantially the same activity as the head office
Under Section 2(3), a branch office refers to any office described as a branch by the establishment. It also includes any place where the establishment carries on substantially the same activities as those performed at its head office. This broad definition ensures that multiple points of operation can be held accountable for consumer-related transactions and disputes regardless of formal registration.

4. (C) To render advice on the promotion and protection of consumer rights under the Act
The primary object of the Central, State, and District Consumer Protection Councils is advisory. They are established to render advice on the promotion and protection of various consumer rights as defined under the Act. Unlike Redressal Commissions, these Councils do not possess judicial powers to pass binding orders or settle individual consumer disputes directly through formal legal adjudication or trials.

5. (B) Included in Service - Boarding or lodging facilities
Section 2(42) defines service to include facilities related to banking, financing, insurance, transport, processing, supply of energy, and boarding or lodging. However, it explicitly excludes any service rendered free of charge or under a contract of personal service. Banking and entertainment are generally included in the definition, while free services and personal service contracts are omitted from the Act's scope.

6. (B) No, the District Council is legally mandated to hold not less than two meetings every year.
Section 8 mandates that the District Consumer Protection Council must meet as and when necessary. However, the law specifically requires that at least two meetings must be held every year. The Collector, serving as Chairperson, does not have the discretion to hold fewer than two meetings, regardless of the perceived volume of consumer disputes or the stability of the local market.

7. (B) II, III, I
The Consumer Protection Act, 2019, was enacted upon receiving Presidential assent on August 9, 2019. The Act subsequently came into force on July 20, 2020. Shortly thereafter, the Central Consumer Protection Authority was established and came into effect on July 24, 2020. This sequence reflects the progression from legislative approval to implementation and finally the institutional establishment of the Authority.

8. (B) Unfair Contract
Section 2(46) defines an unfair contract as one containing terms that cause a significant change in consumer rights. This includes imposing a penalty for breach that is wholly disproportionate to the actual loss. In the banking context, a penalty five times the EMI amount represents such an excessive and unreasonable condition, allowing the consumer to challenge the contract's fairness under the Act.

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26. (D) Yes, any voluntary consumer association registered under current law qualifies as a complainant
Section 2(5) defines a complainant to include any voluntary consumer association registered under any law for the time being in force. This allows such associations to file complaints on behalf of their members without requiring specific permission from the government for each case. This provision empowers collective action against service providers or traders who engage in unfair practices or provide deficient services.

27. (D) I, II, and III
The State Government establishes a District Consumer Protection Council for every district, headed by the Collector as Chairperson. The council serves an advisory role and is legally required to hold at least two meetings every year. These councils are essential for promoting and protecting consumer rights at the local level and ensuring that consumer concerns are addressed within the district administration.

28. (A) Any fault in the quality, quantity, potency, purity, or standard required by law or contract
Section 2(10) defines a defect as any fault, imperfection, or shortcoming in the quality, quantity, potency, purity, or standard which is required to be maintained by or under any law for the time being in force or under any contract. This broad definition covers all essential aspects of a product, ensuring that consumers are protected against substandard goods across various parameters.

29. (C) Yes, because in the absence of a stipulated period, refusing returns within thirty days is unfair
Under Section 2(47)(f), refusing to take back defective goods or withdraw deficient services and refund consideration within the period stipulated in the bill is an unfair trade practice. If no period is stipulated in the bill, the consumer has thirty days to return the goods. Refusing a refund within twenty-five days when no period was specified clearly constitutes an unfair trade practice.

30. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Restrictive trade practices are defined as those that manipulate prices or affect the flow of supplies to impose unjustified costs. Delaying the supply of goods beyond the agreed period, which leads to a price rise, is a specific example of such a practice. The reason correctly explains that these actions aim to control the market to the detriment of the consumer.

31. (B) Value of goods or services does not exceed fifty lakh rupees.
Following the Ministry of Consumer Affairs notification dated December 30, 2021, the pecuniary jurisdiction of the District Commission was revised. It now has the authority to entertain complaints where the value of the goods or services paid as consideration does not exceed fifty lakh rupees. This change aimed to optimize the workload across different levels of consumer redressal commissions throughout India.

32. (C) Both I and II are correct
The National Consumer Disputes Redressal Commission ordinarily functions in the National Capital Region. However, under Section 54, the Central Government has the authority to establish regional Benches of the National Commission in other locations. This provision is intended to make the highest level of consumer dispute redressal more accessible to citizens living in different geographical parts of the country.

33. (C) Both I and II are correct
Section 24 provides that any person aggrieved by an order passed by the Central Authority may file an appeal to the National Commission. This appeal must be preferred within thirty days from the date of receipt of the order. This ensures that the decisions of the regulatory authority are subject to judicial review by the highest consumer commission within a strict timeframe.

34. (B) A complaint must be filed within two years from the date on which the cause of action has arisen.
Section 69 of the Act mandates a strict limitation period for filing consumer complaints. A District, State, or National Commission shall not admit a complaint unless it is filed within two years from

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17. (A) The Minister-in-charge of Consumer Affairs in the State Government
According to Section 6 of the Act, the State Consumer Protection Council is established by the State Government. The Chairperson of this advisory council is the Minister-in-charge of Consumer Affairs in the State Government. The council is responsible for advising the state authorities on the promotion and protection of consumer rights within the specific jurisdiction of that particular state.

18. (D) I, II, and III
A valid complaint under the law includes written allegations regarding various grievances. These include the adoption of unfair contracts by service providers and defects in goods purchased. Additionally, a complaint can be filed when a service provider charges prices exceeding the amount fixed by law. These provisions provide consumers with a clear legal pathway to seek redress for various types of marketplace irregularities.

19. (D) Participants are deemed informed if results are published as originally advertised
Under Section 2(47)(h), withholding information about result of a scheme is an unfair trade practice. However, participants are deemed to have been informed of the results if they are published within a reasonable time and in the same manner as the original scheme was advertised. This protects traders from claims if they have followed the transparency requirements set forth during the promotion.

20. (D) I, II, III, and IV
Terms in a contract that require excessive security deposits or impose disproportionate penalties for breach are classified as unfair. Unilateral termination without reasonable cause and refusing early repayment of debts also fall under this category. These criteria ensure that contracts between banks and consumers remain balanced and do not contain clauses that cause a significant disadvantage to the consumer's established legal rights.

21. (A) I, II, and III only
The State Consumer Protection Council includes the State Minister for Consumer Affairs as Chairperson and a prescribed number of official and non-official members. Unlike the Central Council, it does not include members nominated by the Central Government. The Chief Justice of the High Court is not a member of this advisory council. The council's primary function is to provide advice on protecting consumer rights.

22. (B) A person who obtains goods for resale or for any commercial purpose
Section 2(7) explicitly excludes from the definition of a consumer any person who obtains goods for resale or for any commercial purpose. However, use of goods bought and used exclusively for earning a livelihood through self-employment is not considered a commercial purpose. Online buyers and those using goods with the buyer's approval are included within the definition of a consumer.

23. (A) P-3, Q-2, R-4, S-1
Deficiency refers to faults or inadequacies in the quality of service performance. A consumer dispute arises when a party denies the allegations made in a complaint. A regulator is a body established under other laws. The term person includes co-operative societies and Hindu undivided families. These definitions under Section 2 clarify the scope of legal accountability and terminology within the entire Act.

24. (D) It must meet at least four times every year.
According to Section 4 of the Act, the Central Consumer Protection Council is an advisory body established by the Central Government. It is chaired by the Minister-in-charge of the Department of Consumer Affairs. However, the law mandates that the Central Council shall meet as and when necessary, but at least one meeting of the Council must be held every year.

25. (B) Giving a warranty not based on an adequate or proper test - Valid Trade Practice
Giving a warranty or guarantee of performance that is not based on an adequate or proper test is explicitly classified as an unfair trade practice under Section 2(47) of the Act. Such practices are deceptive and misleading to the consumer. Other practices, such as falsely representing standards, misleading regarding price, or claiming non-existent sponsorship, are also correctly classified as unfair trade practices.

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six, the mandatory age limit of sixty-seven will be reached in exactly one year. Therefore, the individual can only serve for a single year in this capacity under the rules.

44. (D) I, II, and III
The State Commission ordinarily functions at the State capital but may establish regional Benches as determined by the State Government. Each commission must consist of a President and at least four other members, or more as prescribed. These structural requirements ensure that the State Commission has sufficient capacity and geographical reach to handle the volume of consumer disputes within the state.

45. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 71 of the Act states that every order of a consumer commission shall be enforced as if it were a decree of a civil court. The reason correctly points out that Order XXI of the Code of Civil Procedure, which deals with the execution of decrees, is applicable with necessary modifications. This ensures that consumer commission orders have the same legal weight.

46. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Under Section 18 and Section 15, the Central Authority has the power to inquire into or investigate violations of consumer rights. This can be done on its own motion or based on a complaint. The establishment of an Investigation Wing, headed by a Director-General, provides the necessary administrative machinery to carry out these inquiries effectively as mandated by the Act.

47. (B) It becomes final.
According to Section 68, any order passed by a District Commission, State Commission, or National Commission becomes final if no appeal has been preferred against such order within the period prescribed by the Act. This provision ensures the finality of litigation and prevents indefinite disputes, provided that the parties have had the opportunity to appeal within the statutory timeframe allowed.

48. (B) Yes, a complaint can be filed where the opposite party has a branch office
Section 34 of the Act allows a complaint to be instituted in a District Commission where the opposite party ordinarily resides, carries on business, or has a branch office. This provision provides significant convenience to the consumer, allowing them to file a case in their own city if the company maintains an active branch there, regardless of where the head office is located.

49. (A) I, II, III, and IV only
The National Commission entertains original complaints where consideration exceeds two crore rupees and unfair contract cases exceeding ten crore rupees. It also hears appeals against State Commission orders and Central Authority decisions. However, revision petitions against District Commission orders are filed at the State Commission level, not the National Commission, unless there is a specific jurisdictional error in the subsequent state order.

50. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Section 47(1)(b) grants the State Commission revisional jurisdiction over District Commissions. It can call for records and pass orders in pending or decided disputes if the District Commission exceeded its jurisdiction, failed to exercise it, or acted with material irregularity. The reason correctly identifies the specific legal grounds required for the State Commission to exercise this oversight power and maintain judicial discipline.

51. (D) I, II, and III
According to Section 74, every consumer mediation cell must maintain several essential records. These include a list of empaneled mediators, a comprehensive list of all cases handled by the cell, and the record of proceedings for each mediation. These requirements ensure transparency and accountability in the mediation process, which is a key alternative dispute resolution mechanism established under the consumer protection framework.

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52. (D) A President and at least two members up to the number prescribed
Section 28 of the Act specifies that each District Commission shall consist of a President and not

less than two members. The State Government may prescribe a higher number of members in consultation with the Central Government if required. This ensures that every District Commission has a minimum bench strength to adjudicate consumer disputes while allowing for expansion based on the local caseload.

53. (C) No appeal is entertained unless the person deposits twenty-five percent of the amount
Section 41 states that an appeal to the State Commission must be filed within forty-five days. While the commission can condone delays for sufficient cause, a mandatory deposit is required for the appeal to be entertained. However, the law requires the appellant to deposit fifty per cent of the ordered amount, not twenty-five per cent. Therefore, the statement regarding a twenty-five per cent deposit is incorrect.

54. (A) I, II, and III only
The 2021 notification revised the pecuniary jurisdictions: District Commission up to fifty lakh rupees, State Commission from fifty lakhs to two crore rupees, and National Commission for values exceeding two crore rupees. These changes were made to the Redressal Commissions' authority levels. The notification did not specifically increase a separate pecuniary limit for the Central Authority as described in the fourth statement.

55. (A) P-3, Q-4, R-1, S-2
The State Commission President serves for four years or until age sixty-seven. District Commission members serve for four years or until age sixty-five. The National Commission President holds office until the age of seventy. Members of the National Commission serve until age sixty-seven. These specific age and term limits are prescribed by the Consumer Protection Rules for each commission level to ensure experienced leadership.

56. (A) A body or any authority established under any other law for the time being in force
Section 2(38) of the Act provides a general definition of a regulator. It refers to any body or authority established by or under any other law for the time being in force. This inclusive definition ensures that the Act recognizes and can coordinate with various sectoral regulators, such as those in banking, insurance, or telecommunications, when consumer rights issues arise within those sectors.

57. (A) If the complainant shows sufficient cause for the delay, and the Commission records its reasons While Section 69 sets a two-year limitation period, it also allows a Commission to entertain a complaint after this period if the complainant satisfies the Commission that there was sufficient cause for the delay. In such instances, the Commission must record its reasons for condoning the delay. This provision provides necessary flexibility for consumers who faced genuine obstacles in filing their complaints on time.

58. (A) The opposite party's legal counsel is registered and practices law.
Section 34 defines where a complaint can be filed. This includes where the opposite party resides or carries on business, where the cause of action arises, or where the complainant resides or works. The professional registration or practice location of the opposite party's legal counsel is not a valid statutory ground for determining the territorial jurisdiction of the District Commission for filing a complaint.

59. (B) Thirty days
Section 67 of the Act provides that any person aggrieved by an order made by the National Commission in the exercise of its original jurisdiction may prefer an appeal to the Supreme Court. Such an appeal must be filed within a period of thirty days from the date of the order. This ensures that even high-stakes consumer disputes have a final, time-bound appellate recourse.

60. (A) I, II, and III only
The State Commission handles complaints between fifty lakhs and two crore rupees. It also has jurisdiction over unfair contracts where the value does not exceed ten crore rupees. Furthermore, it hears appeals against District Commission orders. However, appeals against the Central Authority are specifically directed to the National Commission, making the statement regarding the State Commission's jurisdiction over Central Authority orders incorrect.

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61. (C) One of the recognized "Consumer rights"
Section 2(9) of the Act explicitly lists the right to consumer awareness as one of the fundamental consumer rights. This right ensures that consumers are educated and informed about their rights and the remedies available to them under the law. It is a critical component of consumer protection, empowering individuals to make informed decisions and seek redressal for grievances in the marketplace.

62. (D) I, II, III, IV, and V
The Act prescribes specific timelines and limits for various procedures. These include a forty-five-day window for appeals to the State Commission and a two-year limitation for filing complaints. Mediators are empaneled for five years, and the State Commission handles unfair contracts up to ten crore rupees. Furthermore, the President must decide on differing opinions in a Bench within a one-month statutory period.

63. (A) The right to protection against marketing of hazardous goods or services
One of the essential consumer rights defined in Section 2(9) is the right to be protected against the marketing of goods, products, or services which are hazardous to life and property. This right ensures that safety standards are maintained and that consumers are not exposed to dangerous products. It forms the basis for regulatory actions such as product recalls and safety warnings.

64. (D) I, II, III, and IV
Restrictive trade practices include actions that manipulate prices or affect the flow of supplies to impose unjustified costs. Delaying the supply of goods to cause a price rise and requiring the purchase of additional goods as a condition for a sale also qualify. These practices are prohibited because they restrict competition and force consumers into unfavorable purchasing conditions or significantly higher expenses.

65. (C) The rights of the parties, usages of trade, circumstances, and principles of natural justice
According to Section 79, the mediator must be guided by the principles of natural justice and have regard to the rights and obligations of the parties. They must also consider the usages of trade and the specific circumstances surrounding the dispute. Mediation is designed to be a flexible and fair process, rather than one bound by the strict technicalities of the Evidence Act.

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66. (B) The headquarters of the CCPA must strictly be located within the State of Maharashtra.
Section 10 of the Act states that the Central Authority shall have its headquarters at such place in the National Capital Region of Delhi as the Central Government may notify. It is not legally required to be in Maharashtra. The CCPA can recommend international practices, mandate goods identifiers, and consists of a Chief Commissioner and other Commissioners as prescribed by the government.

67. (C) Yes, the expression "buys any goods" includes transactions through multi-level marketing
The explanation to Section 2(7) clarifies that the expression "buys any goods" and "hires or avails any services" includes all types of transactions. This specifically encompasses offline or online transactions through electronic means, teleshopping, direct selling, or multi-level marketing. Therefore, a personal purchase made through a multi-level marketing scheme is fully covered under the definition of a consumer transaction.

68. (D) I, II, III, IV, and V
Consumer rights encompass the right to be protected against hazardous marketing and the right to be informed about product quality and price. They also include assured access to various goods at competitive prices and the right to be heard. Finally, consumers have the right to seek redressal against unfair trade practices and the fundamental right to consumer awareness through education and regular information.

69. (D) It may notify a statutory body to perform the functions of the Central Authority.
Under Section 26 of the Act, the Central Government has the power to delegate the functions of the Central Authority. If necessary, the government may, by notification, direct that any other statutory body shall perform the functions of the Central Authority under the Act. This allows for administrative flexibility while ensuring that the regulatory functions are still carried out by a legally recognized body.

(A) For payment of money secured by mortgage.
(B) For recovery of outstanding arrears of rent.
(C) For the specific performance of a contract.
(D) For the recovery of loss caused by fraud.

May/June 2024

18. Which of the following laws permits actions only if the claim is within the period of limitation?
(A) The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
(B) The Negotiable Instruments Act, 1881
(C) The Indian Contract Act, 1872
(D) The Transfer of Property Act, 1882

Oct/Nov 2014

19. Identify the incorrect statement regarding the exclusion of time in computing the period of limitation.
(A) The day from which the period is to be reckoned shall be excluded.
(B) The time required for obtaining a copy of the decree shall be excluded for filing an appeal.
(C) The time during which the defendant has been absent from India shall be excluded.
(D) The time taken by the plaintiff to arrange funds for court fees shall be excluded.

May/June 2011

20. Which of the following statements correctly identifies the time from which the period begins to run for recovery of loss caused by fraud?
(A) From the date the fraud is discovered by the party affected.
(B) From the date the loss is reported to the police.
(C) From the date the suit is instituted.
(D) From the date the court takes cognizance.

Oct/Nov 2021

21. For a promissory note payable by instalments, what is the most appropriate time from which the period of limitation begins to run?
(A) From the date on which the promissory note is officially executed by the parties.
(B) From the date of the default of the final instalment as specified in the note.
(C) The expiration of each respective term of payment for the part then due.
(D) From the date when the demand is made for the entire outstanding amount of debt.

May/June 2016

22. For how long is the period of limitation for filing an appeal to a High Court against the judgement of a lower Court?
(A) Thirty days
(B) Sixty days
(C) Ninety days
(D) Three years

Oct/Nov 2025

23. Under the law of limitation, how is the period of limitation computed for an application for execution of a decree that has been stayed by an injunction?
(A) The entire period is reset starting from the date the specific injunction is withdrawn.
(B) The period of the stay is counted toward the total limitation period without any break.
(C) The issuance of a stay automatically terminates the pending execution application.
(D) The duration of the stay ordered by the injunction shall be excluded from the count.

May/June 2019

24. Which of the following does NOT trigger a fresh period of limitation?
(A) An acknowledgement of liability made in writing before the expiration of the prescribed period.
(B) Payment on account of a debt before the expiration of the prescribed period.
(C) Payment of interest on a legacy by a duly authorized agent before the prescribed period expires.
(D) An oral admission of liability made before a notary public.

Oct/Nov 2005

25. Which of the following statements is incorrect regarding the period of limitation for a mortgagee?
(A) For foreclosure, the period of limitation is thirty years.
(B) For possession of immovable property, the period of limitation is thirty years.
(C) For possession of immovable property, the period of limitation is twelve years.
(D) For foreclosure, the time begins to run when the money secured by the mortgage becomes due.

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79. (A) P-3, Q-4, R-2, S-1
Section 10 provides for the establishment of the Central Consumer Protection Authority. Section 28 governs the establishment of the District Consumer Disputes Redressal Commission. Section 42 establishes the State Consumer Disputes Redressal Commission. Finally, Section 53 establishes the National Consumer Disputes Redressal Commission. These sections form the organizational framework for the various consumer protection and dispute resolution authorities established under the Act.

80. (A) Against the product manufacturer, seller, or service provider, as the case may be
Section 2(34) defines product liability as the responsibility of a product manufacturer, product seller, or product service provider to compensate for any harm caused to a consumer by a defective product or deficiency in services. Therefore, a product liability action can be brought against any of these entities depending on who was responsible for the defect or deficiency that caused the harm.

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CHAPTER 23
The Law of Limitation

Oct/Nov 2023

1. What is the period of limitation for specific performance of a contract?
(A) One year
(B) Three years
(C) Twelve years
(D) Thirty years

May/June 2014

2. Which of the following is incorrect concerning the definition of "Plaintiff"?
(A) It includes any person from or through whom a plaintiff derives his right to sue.
(B) It includes any person whose estate is represented by the plaintiff as executor.
(C) It includes an applicant who files an execution petition.
(D) It includes any person whose estate is represented by the plaintiff as administrator.

Oct/Nov 2008

3. Under the law of limitation, "good faith" stipulates that nothing shall be deemed to be done in good faith which is not done:
(A) With the consent of all parties involved.
(B) Within the prescribed period of limitation.
(C) With due care and attention.
(D) Without any legal representation.

May/June 2025

4. Under the law of limitation, for any suit by the Central Government, the period of limitation is thirty years. However, this specifically EXCLUDES:
(A) Suits filed in a High Court.
(B) Suits involving the Government of the State of Jammu and Kashmir.
(C) Suits before the Supreme Court in the exercise of its original jurisdiction.
(D) Suits filed by a State Government.

Oct/Nov 2019

5. What constitutes a fresh period of limitation in the case of a written acknowledgement of liability?
(A) An acknowledgement made orally before the expiration of the prescribed period.
(B) An acknowledgement made in writing and signed by the party before the expiration of the prescribed period.
(C) An acknowledgement made in writing and signed by the party after the expiration of the prescribed period.
(D) An acknowledgement signed by a third party without any authorization.

May/June 2007

6. Under the law of limitation, how is a claim of set-off treated regarding the date of its institution?
(A) It is instituted on the date the court formally admits the set-off.
(B) It is instituted on the same date as the suit in which it is pleaded.
(C) It is instituted on the date the counter-claim is made in court.
(D) It is instituted on the date the written statement is filed by the defendant.

Oct/Nov 2015

7. Which of the following is included in the definition of an "applicant" under the law of limitation?
(A) A defendant who files a counter-claim
(B) A petitioner
(C) A person who guarantees the loan
(D) A person acting in good faith

May/June 2018

8. Identify the correct statement regarding the provision for the extension of the prescribed period for an appeal or application.
(A) It applies exclusively to petitions filed for the execution of a judicial decree.
(B) It applies to any appeal or application, excluding execution, with sufficient cause.
(C) It applies to any civil suit or counter-claim filed within the appropriate court.
(D) It allows for an extension without the appellant showing any sufficient cause.

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Oct/Nov 2022

9. Any appeal or application may be admitted after the prescribed period if the applicant satisfies the court of sufficient cause. This provision explicitly excludes which of the following?
(A) Appeals to the High Court
(B) Execution petitions
(C) Applications to set aside an award
(D) Review applications

May/June 2005

10. In the context of the institution of a suit, how is a counter-claim treated under the law of limitation?
(A) It is regarded as being instituted on the exact same date as the suit in which it is pleaded.
(B) It is categorized as an appeal and regulated by the specific period of limitation for appeals.
(C) It is treated as a separate suit instituted on the date the claim is made in court.
(D) It is completely excluded from all provisions and regulations of the law of limitation.

Oct/Nov 2011

11. If a suit requires the prior sanction of the Government under a specific law before it can be filed, how is the period of limitation affected?
(A) The period of limitation is doubled.
(B) The limitation period does not apply to such suits.
(C) The suit must still be filed within the original prescribed period regardless of the sanction process.
(D) The time required for obtaining such sanction shall be excluded from the computation.

May/June 2012

12. What is the prescribed period of limitation for a suit relating to the execution of a decree?
(A) Three years
(B) Twelve years
(C) Thirty years
(D) Ninety days

Oct/Nov 2016

13. Identify the incorrect statement regarding the acts giving rise to a fresh period of limitation.
(A) 'Debt' in the context of part payment includes money payable under a decree or order of a court.
(B) Payment on account of a debt must be made before the expiration of the prescribed period.
(C) An acknowledgement of liability must be in writing.
(D) An acknowledgement must be signed by the party against whom the property or right is claimed.

May/June 2020

14. Identify the correct statement regarding the computation of the period of limitation when a court is closed.
(A) The period of limitation is extended by one month automatically.
(B) The suit must be filed in a different court on the same day.
(C) The suit may be instituted on the day when the court reopens.
(D) The period expires and no suit can be instituted thereafter.

Oct/Nov 2010

15. When computing the time for a fresh period of limitation due to an acknowledgement of liability, what is the most critical requirement for the acknowledgement to be valid?
(A) It must be registered with the relevant sub-registrar before the limitation period.
(B) It must be witnessed by at least two independent individuals at the time of signing.
(C) It must be accompanied by a partial payment of the debt to the creditor involved.
(D) It must be signed by the liable party before the prescribed period expires.

May/June 2006

16. Under the law of limitation, what does "prescribed period" mean?
(A) The period of limitation computed under the provisions of the law.
(B) The period of limitation listed for suits or appeals in the schedule.
(C) The period of time during which the court remains officially closed.
(D) The period after which a completely new limitation period begins.

Oct/Nov 2009

17. Under the law of limitation, the period of limitation is three years for all the following, EXCEPT:

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Oct/Nov 2023

45. Review the following statements regarding the time from which the period begins to run:

I. Money payable towards money lent: When loan is made.
II. Money lent under agreement payable on demand: When the loan is made.
III. Bill of exchange payable at sight: When the bill is presented.
IV. Promissory note payable at a fixed time after sight: When the fixed time expires.
V. Recovery of loss caused by fraud: From the date the fraud occurred.

Which of the above combination of statements is correct?

(A) I, II, III and IV only
(B) II, III, IV and V only
(C) I, II, III and V only
(D) I, III, IV and V only

May/June 2019

46. Arrange the following steps in the sequence for computing the limitation period for an appeal where an order was appealed against:

1. The court pronounces the judgement.
2. The appellant applies for a copy of the decree.
3. The day on which judgement was pronounced is excluded.
4. The time taken to obtain the copy of the decree is excluded.

Which of the following is the correct sequence?

(A) 1, 2, 4, 3
(B) 1, 3, 2, 4
(C) 3, 1, 2, 4
(D) 2, 1, 3, 4

Oct/Nov 2009

47. Consider the following statements regarding definitions:

I. A petitioner is an applicant.
II. 'Good faith' requires an act to be done with due care and attention.
III. 'Plaintiff' includes a person from whom a plaintiff derives his right to sue.
IV. An executor representing the estate of an applicant is excluded from being an "applicant".

Which of the above combination of statements is correct?

(A) I, II and III only
(B) I, II and IV only
(C) II, III and IV only
(D) I, III and IV only

May/June 2014

48. Which of the following pairs of "Suit Description" and "Time from which Period begins to Run" is correctly matched?

(A) For arrears of rent : When the lease agreement is signed
(B) For specific performance of a contract : The date fixed for the performance
(C) On a bill of exchange payable at sight : When the fixed time expires
(D) For money deposited payable on demand : When the deposit is made

Oct/Nov 2022

49. Consider the following statements regarding bills of exchange and promissory notes:

I. On a bill of exchange payable at sight, the period begins when the bill is presented.
II. On a promissory note payable at a fixed time after sight, the period begins when the fixed time expires.
III. On a promissory note payable by instalments, the period begins entirely from the date of the first default.

Which of the above statements are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II and III

NODIA

May/June 2025

50. Consider the following statements:

I. For money payable towards money lent, the period of limitation begins when the loan is made.
II. For money lent under an agreement that it shall be payable on demand, the period of limitation begins when the loan is made.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2008

51. Consider the following statements about the scope and definitions of the law of limitation:

I. The law of limitation extends to the whole of India.

May/June 2023

26. Which of the following is specifically excluded from the definition of a "suit" under the law of limitation?
(A) A counter-claim
(B) A claim of set off
(C) A petition for execution of a decree
(D) An appeal or an application

Oct/Nov 2018

27. What is the most appropriate starting point for the period of limitation in the case of a balance due on a mutual, open and current account where there have been reciprocal demands?
(A) The end of the year when the last admitted item is entered in the account.
(B) The date when the final transaction was successfully executed between the parties.
(C) The specific calendar date on which the account was originally opened for use.
(D) The date on which the bank issues a formal legal notice to the current holder.

May/June 2009

28. Under the law of limitation, what is the fundamental principle regarding suits instituted after the prescribed period?
(A) They shall be dismissed although limitation has not been set up as a defense.
(B) They shall be admitted if the defendant does not raise limitation as a defense.
(C) They shall be dismissed only if the defendant sets up limitation as a defense.
(D) They shall be admitted subject to the payment of a penalty fee by the plaintiff.

Oct/Nov 2006

29. Under the law of limitation, certain periods are excluded while computing the period of limitation. Which of the following is NOT an excluded period?
(A) Time during which the institution has been stayed by an injunction.
(B) Time required for obtaining a copy of the order or award for a review application.
(C) Time taken by the plaintiff to issue a private notice to the defendant before filing the suit.
(D) Time during which the defendant has been absent from India.

May/June 2021

30. Which of the following is a correct statement concerning the period of limitation for money payable towards money lent?
(A) The period is three years from when the loan is demanded.
(B) The period is twelve years from when the loan is made.
(C) The period is three years from the close of the financial year.
(D) The period is three years from when the loan is made.

Oct/Nov 2010

31. Match the Description of Suits (List I) with the corresponding Period of Limitation (List II).
List I: (Description of Suit)
P. By a mortgagee for possession of immovable property
Q. Appeal to file in other Court against judgement of lower Court
R. Suit by Central Government
S. Money payable towards money lent
List II: (Period of Limitation)
1. Thirty days
2. Twelve years
3. Three years
4. Thirty years
(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

May/June 2017

32. Consider the following statements regarding limitation periods:
I. The limitation for specific performance of a contract is three years.
II. The limitation for arrears of rent is twelve years.
III. The limitation for recovering loss caused by fraud is three years.
Which of the above statements are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

Oct/Nov 2024

33. Match the description of the suit (List I) with the corresponding period of limitation (List II).
List I: (Description of Suit)

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P. Any suit for which no period is provided elsewhere
Q. Execution of a decree
R. Appeal to file in High Court against lower Court judgement
S. By a mortgagee for foreclosure

List II: (Period of Limitation)
1. Thirty years
2. Three years
3. Ninety days
4. Twelve years

(A) P-2, Q-4, R-3, S-1
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

May/June 2013

34. Consider the following exclusions when computing the period of limitation:
I. Time taken for obtaining a copy of the decree for an appeal.
II. Time during which an execution has been stayed by an injunction.
III. The day on which the injunction order was issued.
IV. The day on which the injunction order was withdrawn.

Which of the above combination of statements represents periods or days that are excluded?
(A) I and II only
(B) II, III and IV only
(C) I, III and IV only
(D) I, II, III and IV

Oct/Nov 2007

35. Consider the following statements regarding fresh periods of limitation:
I. An acknowledgement of liability must be made in writing and signed by the party before the expiration of the prescribed period.
II. Payment on account of a debt creates a fresh period of limitation even if the payment is made after the prescribed period has expired.

Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2022

36. Consider the following statements about computation of limitation:
I. The day from which the period is to be reckoned is included in computation.
II. Time required to obtain a copy of the order or award is excluded when filing a revision.
III. If prior sanction of the Government is required, the time to obtain it is excluded.
IV. Time during which the defendant is absent from India is excluded.
V. An appeal can be admitted after the prescribed period for sufficient cause.

Which of the above combination of statements is correct?
(A) II, III and IV and V only
(B) I, II, III and V only
(C) I, III, IV and V only
(D) I, II, III, IV and V

Oct/Nov 2020

37. Consider the following events related to determining a fresh period of limitation based on part payment and arrange them in the correct chronological order:
1. The prescribed period of limitation expires.
2. The loan or debt is initially created.
3. A fresh period of limitation is computed from the time of payment.
4. Payment on account of the debt is made by the person liable.

Which of the following is the correct sequence?
(A) 2, 4, 3, 1
(B) 2, 1, 4, 3
(C) 4, 2, 1, 3
(D) 2, 4, 1, 3

May/June 2015

38. Consider the following statements regarding exclusions in computing the period of limitation:
I. The day from which the period is to be reckoned shall be excluded.
II. The time required for obtaining a copy of the award shall be excluded while computing time for an application to set aside the award.
III. The time during which the defendant has been absent from India is included in the computation.

Which of the above statements are correct?
(A) I and II only
(B) II and III only

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(C) I and III only
(D) I, II and III

Oct/Nov 2012

39. Consider the following statements regarding suits related to mortgages:
I. To enforce payment of money secured by a mortgage, the limitation is twelve years.
II. For a mortgagee filing a suit for foreclosure, the limitation is thirty years.
III. For a mortgagee seeking possession of immovable property, the limitation is thirty years.
IV. For foreclosure, the time begins to run when the money secured by the mortgage becomes due.
Which of the above combination of statements is correct?
(A) I, II and IV only
(B) I, III and IV only
(C) II, III and IV only
(D) I, II, III and IV

May/June 2010

40. Under the law of limitation, which of the following pairs is correctly matched?
(A) Prescribed period : Period prescribed by the schedule of limitation
(B) Period of limitation : Computed in accordance with the legal provisions
(C) Suit : Includes an execution application
(D) Applicant : Includes a petitioner

Oct/Nov 2017

41. Consider the following statements regarding fresh periods of limitation:
I. Acknowledgement of liability must be in writing.
II. Acknowledgement can be signed by a person through whom the party derives title.
III. Payment on account of interest on a legacy gives rise to a fresh period.
IV. Part payment must be made before the expiration of the prescribed period.
V. 'Debt' in the context of part payment includes money payable under a court decree.
Which of the above combination of statements is correct?
(A) I, II, III and IV only
(B) I, III, IV and V only
(C) II, III, IV and V only
(D) I, II, III, IV and V

May/June 2008

42. Match the term (List I) with its defining element (List II).
List I: (Term)
P. Applicant
Q. Defendant
R. Plaintiff
S. Suit
List II: (Defining Element)
1. Includes a person from whom a liability to be sued is derived
2. Does not include an appeal or an application
3. Includes a person whose estate is represented as an executor deriving right to sue
4. Includes a petitioner
(A) P-4, Q-1, R-3, S-2
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-3, R-1, S-4

Oct/Nov 2013

43. Consider the following statements regarding definitions:
I. "Applicant" includes a person from or through whom an applicant derives his right to apply.
II. "Suit" includes an appeal or an application.
III. "Defendant" includes any person whose estate is represented by the defendant as executor.
Which of the above statements are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II and III

May/June 2021

44. Consider the following statements:
I. The period of limitation for filing an appeal in a High Court against the judgement of a lower Court is ninety days.
II. The period of limitation for filing an appeal in any other Court against the judgement of a lower Court is thirty days.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

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70. (C) An Unfair Trade Practice
Section 2(47)(g) defines the offering of gifts, prizes, or other items with the intention of not providing them as offered, or creating the impression that something is free when the cost is actually covered by the amount charged in the transaction, as an unfair trade practice. This deceptive pricing strategy misleads consumers about the true value and cost of the products being purchased.

71. (A) P-3, Q-2, R-4, S-1
Appeals from the District to the State Commission must be filed within forty-five days. Appeals from the State or Central Authority to the National Commission have a thirty-day limit. The general limitation period for filing an original consumer complaint from the date the cause of action arises is two years. These timelines are strictly enforced by the commissions to ensure the timely redressal of consumer grievances.

72. (D) A firm must necessarily be registered to be recognized as a person.
Section 2(31) defines a person to include a firm, whether registered or not. Therefore, the requirement for a firm to be registered to be recognized as a person under the Act is an incorrect interpretation. The definition also includes individuals, Hindu undivided families, co-operative societies, and any association of persons, ensuring that both registered and unregistered entities are within the scope of the Act.

73. (B) Yes, because the appeal was filed within the 45-day statutory limit for such orders
Section 41 allows any person aggrieved by an order of the District Commission to appeal to the State Commission within forty-five days. Since the bank filed the appeal after thirty days, it falls within the permissible statutory timeframe. The failure of mediation does not prevent a party from exercising their right to appeal the subsequent judicial order passed by the District Commission.

74. (D) The jurisdiction and authority may be exercised by Benches constituted by the President.
Under Section 42, the jurisdiction, powers, and authority of the State Commission may be exercised by Benches thereof. These Benches are constituted by the President with one or more members as deemed fit. This allow the State Commission to function efficiently by hearing multiple cases simultaneously through different Benches, rather than requiring the presence of all members for every single hearing or dispute.

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75. (C) Both I and II are correct
The definition of service includes facilities in banking, financing, and transport. Furthermore, deficiency is defined as any fault or inadequacy in service, which includes the deliberate withholding of relevant information by a service provider that causes loss or injury to the consumer. Both statements accurately reflect the legal definitions and the scope of accountability for service providers under the Consumer Protection Act.

76. (C) Assertion (A) is true, but Reason (R) is false.
Providing a warranty not based on an adequate test is indeed an unfair trade practice. However, the reason provided is incorrect because, under Section 2(47)(b), where a defense is raised that a warranty is based on an adequate test, the burden of proof lies on the person raising such defense, which is typically the trader or manufacturer, not the consumer.

77. (D) I, II, and III
The State Consumer Protection Council is an advisory body established to promote and protect consumer rights within the state. It is legally mandated to meet at least twice every year. Its primary function is to render advice to the state government and other authorities on matters relating to consumer interests, ensuring that consumer rights are integrated into state-level policy and administration.

78. (B) Rendering of service free of charge or under a contract of personal service
Section 2(42) provides a comprehensive definition of service but specifically excludes services rendered free of charge or under a contract of personal service. This means that purely gratuitous acts or services performed in an employer-employee relationship are not covered. However, services related to banking, energy supply, and information dissemination for the public are clearly included within the scope of the Act.

II. A suit does not include an appeal.
III. A suit does not include an application.
IV. An executor representing a defendant's estate falls under the definition of "Defendant".
V. Good faith implies actions done with due care and attention.

Which of the above combination of statements is correct?
(A) I, II, IV and V only
(B) I, II, III, IV and V
(C) II, III, IV and V only
(D) I, III, IV and V only

May/June 2007

52. Match the specific legal scenario (List I) with the limitation outcome/rule (List II).
List I: (Specific Legal Scenario)
P. Court is closed on the expiration day
Q. Appeal delayed due to sufficient cause
R. Claim of set-off
S. Counter-claim
List II: (Limitation Outcome/Rule)
1. Deemed instituted on the date it is made in court
2. Deemed instituted on the same date as the suit
3. Suit may be instituted when the court reopens
4. May be admitted after the prescribed period
(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2011

53. Which of the following pairs relating to exclusions in computing limitation is INCORRECTLY matched?
(A) Institution stayed by injunction : Day injunction was issued and withdrawn are excluded
(B) Filing suit requiring Government notice : Period of such notice is excluded
(C) Filing appeal : Time taken to obtain a copy of the decree is included
(D) Defendant absent from India : Time of absence is excluded

May/June 2006

54. Consider the following general rules of limitation:
I. Every suit instituted after the prescribed period shall be dismissed.
II. The dismissal occurs even if limitation has not been set up as a defense.
III. 'Period of limitation' means the period of limitation computed in accordance with the legal provisions.
IV. 'Prescribed period' means the period of limitation prescribed for any suit, appeal or application by the schedule of limitation.

Which of the above combination of statements is correct?
(A) I and II only
(B) III and IV only
(C) I, II and III only
(D) I, II, III and IV

Oct/Nov 2016

55. Consider the following statements regarding acts giving rise to a fresh period of limitation:
I. The acknowledgement of liability must be in writing.
II. A part payment made by a duly authorized agent does not constitute a valid act for a fresh period.
III. The term 'debt' in the context of part payment does not include money payable under a decree or order of a court.

Which of the above statements are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

May/June 2012

56. Match the description of the suit (List I) with the time from which the period begins to run (List II).
List I: (Description of Suit)
P. For money deposited under an agreement payable on demand
Q. On a bill of exchange payable at sight
R. For arrears of rent
S. For recovery of loss caused by fraud
List II: (Time from which Period begins to Run)
1. When the arrears become due
2. From the date of the fraud
3. When demand is made
4. When the bill is presented
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-3, S-4

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of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2018

69. Read the following scenario and answer the question.
A promissory note is executed, making the amount payable in three equal annual instalments. The borrower defaults on the first instalment. When does the period of limitation begin for recovering the amount of the first instalment?
(A) From the date the promissory note was executed.
(B) From the expiration of the first term of payment.
(C) From the date of default of the third and final instalment.
(D) From the date the lender sends a legal notice.

May/June 2009

70. Read the following scenario and answer the question.
A bank granted a loan to Mr. Y on 1st January 2018. The limitation period for the suit is three years. Mr. Y left India for business on 1st January 2019 and returned on 1st January 2020. If the bank files a suit on 1st June 2021, is the suit within the period of limitation?
(A) Yes, because the period of absence from India is excluded from the computation.
(B) No, because the absolute deadline is 1st January 2021 regardless of his location.
(C) Yes, because the limitation for recovery of a bank loan is fixed at twelve years.
(D) No, because the rule regarding absence from India only applies to criminal cases.

Oct/Nov 2006

71. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.
Assertion (A): An application for the execution of a decree cannot be admitted after the prescribed period even if the applicant shows sufficient cause.
Reason (R): The legal provision allowing for the admission of cases after the prescribed period for sufficient cause specifically excludes execution petitions.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2017

72. Read the following scenario and answer the question.
A plaintiff files a suit against a defendant on 1st March. The defendant files a written statement on 15th April, in which he claims a set-off against the plaintiff. For the purpose of limitation, on what date is the set-off deemed to have been instituted?
(A) 1st March
(B) 15th April
(C) The date the court admits the written statement
(D) The date the original transaction occurred

Oct/Nov 2024

73. Read the following scenario and answer the question.
A private banking company discovers on 10th May 2018 that a vendor has caused them financial loss through fraudulent activities. Under the law of limitation, when does the period to recover this loss begin to run, and what is the prescribed duration?
(A) It begins on 10th May 2018, and the duration is three years.
(B) It begins when the fraud is discovered, and the duration is twelve years.
(C) It begins on 10th May 2018, and the duration is twelve years.
(D) It begins when the police file a charge sheet, and the duration is three years.

May/June 2013

74. Read the following scenario and answer the question.
A debtor's authorized agent makes a part payment towards the principal amount of a debt on 15th July, which is two months before the original three-year limitation period is set to expire. What is the legal consequence?
(A) The limitation period ends on the original expiry date.
(B) A fresh period of limitation is computed

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Oct/Nov 2014

63. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.

Assertion (A): The day on which the court pronounces the judgement is excluded while computing the period of limitation for filing an appeal.

Reason (R): The law of limitation requires the exclusion of the day from which the period is to be reckoned in order to provide the appellant the full prescribed period.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2024

64. Read the following scenario and answer the question.

A plaintiff is required by law to give a mandatory two-month notice to a government authority before filing a specific suit. The plaintiff gives the notice and waits for two months. How is this two-month period treated?

(A) It is excluded from the computation of the period of limitation.
(B) It is counted as part of the normal limitation period.
(C) It extends the limitation period by three years.
(D) It is treated as a fresh period of limitation.

Oct/Nov 2021

65. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.

Assertion (A): A suit instituted after the prescribed period of limitation shall be dismissed even if the defendant does not raise limitation as a defense.

Reason (R): The law of limitation mandates the dismissal of suits instituted after the prescribed period regardless of the defense set up.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

NODIA

May/June 2011

66. Read the following scenario and answer the question.

A firm maintains a mutual, open, and current account with a bank where there are reciprocal demands. The financial year closes on 31st March. The last admitted item in the account was entered on 15th October 2020. When does the period of limitation begin to run for the balance due on this account?

(A) 15th October 2020
(B) 31st March 2021
(C) 15th October 2023
(D) 1st April 2020

Oct/Nov 2005

67. Read the following scenario and answer the question.

In an ongoing suit filed on 10th January, the defendant decides to file a counter-claim against the plaintiff on 20th February. What is the deemed date of institution for this counter-claim?

(A) 10th January
(B) The date the cause of action for the counter-claim arose
(C) 20th February
(D) The date the court delivers the final judgement

May/June 2023

68. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.

Assertion (A): When calculating the period of limitation for a suit, the time during which the defendant was absent from India is excluded.

Reason (R): It is impossible for a plaintiff to file a suit if the defendant is not physically present in the country.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation

9. (B) Execution petitions
The principle of condonation of delay allows courts to admit appeals or applications filed after the limitation period upon showing sufficient cause. This flexibility applies to reviews and other applications but explicitly excludes execution petitions. For the execution of a decree, the law enforces the prescribed limitation period strictly, and the provision for extending time due to sufficient cause is unavailable.

10. (C) It is treated as a separate suit instituted on the date the claim is made in court.
A counter-claim is legally treated as a separate suit for the purposes of limitation. Unlike a set-off, which relates back to the original suit's filing date, a counter-claim is deemed to have been instituted only on the specific date when it is actually made in court. This distinction requires the defendant to ensure their counter-claim is filed within the relevant period.

11. (D) The time required for obtaining such sanction shall be excluded from the computation.
When the law mandates that a suit can only be instituted after obtaining the prior sanction or consent of the Government or any other authority, specific rules apply to the computation of limitation. In such cases, the actual time taken to obtain the necessary sanction is excluded from the total limitation period. This protects the plaintiff from losing their right to sue.

12. (B) Twelve years
The period of limitation for filing an application for the execution of a judicial decree, other than a decree granting a mandatory injunction, is twelve years. This period generally begins to run from the date when the decree or order becomes enforceable. This relatively long timeframe allows decree-holders sufficient opportunity to realize the fruits of their litigation through the court process.

13. (A) 'Debt' in the context of part payment includes money payable under a decree or order of a court.
Under the provisions for fresh limitation periods, a 'debt' specifically refers to liabilities but excludes money payable under a court decree or order. For a valid fresh period, part payment must occur before the original limitation expires and be documented in writing. While acknowledgements must be signed by the liable party, the exclusion of decretal debts from this specific section is mandatory.

14. (C) The suit may be instituted on the day when the court reopens.
If the prescribed period for any suit, appeal, or application expires on a day when the court is closed, the law provides a necessary relief. In such instances, the legal action may be validly instituted on the day the court reopens. This rule ensures that litigants are not penalized for the court's schedule, preserving their right to seek judicial remedy.

15. (D) It must be signed by the liable party before the prescribed period expires.
For a written acknowledgement of liability to effectively create a fresh period of limitation, it must meet strict statutory criteria. The most essential requirement is that the acknowledgement must be signed by the party against whom the right is claimed or their authorized agent. Furthermore, this act must be completed before the expiration of the original prescribed period of limitation for the claim.

16. (A) The period of limitation computed under the provisions of the law.
The law distinguishes between the period of limitation and the prescribed period. While the period of limitation refers to the timeframe set in the schedule for various suits, the prescribed period is the actual duration remaining after applying all legal rules for the exclusion of time. Thus, it represents the final computed timeframe within which a legal action must be initiated.

17. (A) For payment of money secured by mortgage.
Suits for the recovery of arrears of rent, specific performance of a contract, and compensation for loss caused by fraud all share a common limitation period of three years. However, enforcing the payment of money secured by a mortgage is governed by a longer period of twelve years. This distinction reflects the different nature of property-based financial securities compared to other civil obligations.

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from 15th July.
(C) The debt is considered fully settled and no further limitation applies.
(D) The fresh period of limitation will only apply if the debtor himself made the payment.

Oct/Nov 2007

75. Read the following scenario and answer the question.
A bank plans to file a suit against a borrower for the recovery of money lent. The limitation period of three years expires on a Sunday, a day when the court is officially closed. The bank files the suit on Monday, when the court reopens. Which of the following is correct regarding the validity of the suit?
(A) The suit is validly instituted as the court was closed on the expiry day.
(B) The suit will be dismissed because it was filed after the prescribed period.
(C) The suit is valid only if the bank demonstrates sufficient cause for the delay.
(D) The bank must pay a specific penalty fee for filing the suit on a Monday.

May/June 2022

76. Read the following scenario and answer the question.
A bank holds a decree against a defaulter and files an execution petition. However, a higher court issues an injunction staying the execution on 5th May. The injunction is later withdrawn on 25th May. How does this affect the limitation period for the execution of the decree?
(A) The entire period from 5th May to 25th May is included in the computation.
(B) A fresh period of twelve years begins immediately from the date of 25th May.
(C) The decree becomes void and a completely new suit must be filed in the court.
(D) The duration of the stay, including both dates, is excluded from computation.

Oct/Nov 2020

77. Read the following scenario and answer the question.
A customer deposits money with a bank under an agreement that it shall be payable on demand. Five years later, the customer makes a formal demand for the repayment of the money. Does the three-year limitation period bar the customer's claim at the time of demand?
(A) Yes, because three years have passed since the deposit was made.
(B) Yes, because money deposited with a bank has a maximum limitation of one year.
(C) No, because the period of limitation of three years begins only when the demand is made.
(D) No, because bank deposits do not have any period of limitation.

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May/June 2015

78. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.
Assertion (A): An acknowledgement of liability signed by the borrower gives rise to a fresh period of limitation only if it is made before the expiration of the prescribed period.
Reason (R): Once the prescribed period of limitation expires, a mere written acknowledgement cannot revive the limitation period under the law.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2012

79. Read the following scenario and answer the question.
A party wishes to file a review application against an order. The order was pronounced on 1st June, and the party applied for a copy of the order on 2nd June, receiving it on 10th June. How is the period from 2nd June to 10th June treated for limitation purposes?
(A) It is included in the computation of the limitation period.
(B) It is excluded from the computation of the period of limitation.
(C) It resets the limitation period to begin afresh from 10th June.
(D) It reduces the overall limitation period by 8 days.

May/June 2010

80. Read the following scenario and answer the question.

A borrower took a personal loan on 1st April 2018. On 1st March 2021, realizing he could not pay, he wrote and signed a letter to the bank acknowledging his outstanding debt. What is the effect of this letter on the limitation period?

(A) It has no effect; the limitation period expired on 1st April 2021.
(B) A fresh period of three years is computed from 1st March 2021.
(C) A fresh period of three years is computed from 1st April 2021.
(D) The limitation period is extended by exactly one year from the date of the letter.

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ANSWERS

1. (B) Three years
Under the Schedule of the Limitation Act, 1963, the prescribed period for filing a suit for the specific performance of a contract is three years. This period begins to run from the date fixed for the performance. If no such date is fixed, it starts when the plaintiff has notice that performance is refused by the other party.

2. (C) It includes an applicant who files an execution petition.
The legal definition of a plaintiff encompasses individuals from or through whom a right to sue is derived. It also includes anyone whose estate is represented by the plaintiff in the capacity of an executor or administrator. However, the term specifically excludes applicants who file execution petitions, as such proceedings are treated differently under the statutory provisions governing limitation.

3. (C) With due care and attention.
In the context of limitation law, the concept of good faith is defined negatively to ensure a high standard of diligence. It specifies that no act is considered to be performed in good faith unless it is carried out with due care and attention. This objective standard requires individuals to exercise reasonable prudence and caution in their legal actions.

4. (C) Suits before the Supreme Court in the exercise of its original jurisdiction.
For suits filed by the Central Government or any State Government, the general period of limitation is thirty years. This extended duration provides the government ample time to protect public interests. However, this rule does not apply to suits brought before the Supreme Court under its original jurisdiction, which are governed by specific constitutional and procedural rules rather than this general limitation.

NODIA

5. (B) An acknowledgement made in writing and signed by the party before the expiration of the prescribed period.
A fresh period of limitation is triggered when a party liable for a debt or property acknowledges that liability. This acknowledgement must be made in writing and signed by the party or their authorized agent. Crucially, it must occur before the original period of limitation has expired. Once these conditions are met, a new limitation period begins from that date.

6. (B) It is instituted on the same date as the suit in which it is pleaded.
Regarding the institution of suits, the law distinguishes between set-offs and counter-claims. A claim of set-off is legally deemed to have been instituted on the same date as the original suit in which it is pleaded. This ensures that the defendant's right to claim a set-off is protected if the main suit was filed within the limitation period.

7. (B) A petitioner
The statutory definition of an applicant is broad and includes any person who makes an application. Specifically, the law clarifies that a petitioner is considered an applicant for legal purposes. Furthermore, the term extends to any person from or through whom an applicant derives the right to apply, as well as executors or administrators representing a person's estate in applications.

8. (B) It applies to any appeal or application, excluding execution, with sufficient cause.
Courts possess the discretionary power to admit an appeal or application after the prescribed period if the party provides sufficient cause for the delay. This provision is designed to ensure justice by condoning delays caused by genuine circumstances. Notably, while it applies to various legal proceedings, it specifically excludes applications made for the execution of a decree under the limitation rules.

27. (A) The end of the year when the last admitted item is entered in the account.
In cases involving a balance due on a mutual, open, and current account with reciprocal demands, the limitation period is three years. The time begins to run from the close of the year in which the last item admitted or proved is entered in the account. This year is usually the one used in the account as indicated by the parties.

28. (A) They shall be dismissed although limitation has not been set up as a defense.
The law of limitation imposes a mandatory duty on courts to dismiss any suit, appeal, or application instituted after the expiration of the prescribed period. This dismissal must occur even if the defendant fails to raise the issue of limitation as a defense. The rule highlights that limitation is a matter of law that the court must apply on its own motion.

29. (C) Time taken by the plaintiff to issue a private notice to the defendant before filing the suit.
While computing limitation, the law allows exclusions for time spent on court-ordered stays, obtaining official copies of awards, and periods when a defendant is abroad. However, any time spent by a plaintiff issuing private notices to a defendant before initiating legal action is not excluded. Only notices mandated by specific laws, such as those to the government, qualify for exclusion.

30. (D) The period is three years from when the loan is made.
For a simple suit to recover money payable for money lent, the prescribed period of limitation is three years. This period begins to run from the date on which the loan is actually made to the borrower. Creditors must initiate legal action within this timeframe to ensure their claim remains enforceable in a court of law according to the statutory schedule.

31. (A) P-2, Q-1, R-4, S-3
A mortgagee seeking possession of immovable property has a thirty-year limitation period. Appeals to courts other than the High Court must be filed within thirty days. For suits by the Central Government, an extended period of thirty years is provided. Finally, money payable towards money lent is subject to a three-year period. These durations ensure timely legal action based on the claim.

32. (B) I and III only
The period of limitation for the specific performance of a contract is three years, starting from the performance date or when refusal is noticed. Similarly, recovery of loss caused by fraud also carries a three-year limitation from the discovery of the fraud. However, the limitation for recovery of arrears of rent is three years, making the statement claiming twelve years incorrect.

33. (A) P-2, Q-4, R-3, S-1
Suits with no provided period have a three-year limitation. Execution of a decree generally allows for twelve years. Appeals to a High Court against lower court judgements have a ninety-day limit. Mortgagees filing for foreclosure are granted thirty years. These distinct periods reflect the legislative intent to balance the rights of parties with the need for finality in different legal matters.

34. (D) I, II, III and IV
In computing limitation, several periods are excluded: time spent obtaining a decree copy for an appeal and the duration of an injunction staying execution. Specifically, for injunctions, both the day the order was issued and the day it was withdrawn are excluded. These exclusions prevent procedural delays beyond the party's control from unfairly depriving them of their right to seek judicial remedies.

35. (A) Only I
A fresh period of limitation starts when a liability is acknowledged in writing and signed by the party, provided this occurs before the original period expires. However, part payment of a debt only creates a fresh period if it is made before the original limitation has ended. Payment made after expiration cannot revive a time-barred debt, rendering the second statement legally invalid.

36. (A) II, III and IV and V only
The law excludes time taken for obtaining copies of awards for revision, time spent getting required government sanctions, and periods of a defendant's absence from India. Appeals can also be admitted late for sufficient cause. However, the day from which the period is reckoned is

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18. (A) The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
The SARFAESI Act allows secured creditors to enforce their security interests without the intervention of courts. However, this power is restricted by the law of limitation. A bank or financial institution can only initiate actions under this Act if the underlying claim or debt is still within the period of limitation prescribed by the general law, ensuring that stale claims are not enforced.

19. (D) The time taken by the plaintiff to arrange funds for court fees shall be excluded.
The computation of the limitation period allows for specific exclusions, such as the day the period begins, time spent obtaining copies of decrees, and the duration of a defendant's absence from the country. However, personal delays by the plaintiff, including the time required to arrange financial resources for court fees, are never excluded. Litigants are expected to manage their resources within the timeframe.

20. (A) From the date the fraud is discovered by the party affected.
In cases involving fraud, the law recognizes that the victim may not be immediately aware of the wrong. Therefore, the three-year period of limitation for a suit to recover losses caused by fraud does not start from the date of the act itself. Instead, the period begins to run only from the date when the affected party discovers the fraud.

21. (C) The expiration of each respective term of payment for the part then due.
For a promissory note where the amount is payable in specified instalments, the limitation period is applied individually to each instalment. The period of limitation for recovering a particular instalment begins to run from the expiration of the specific term of payment for that part. This allows the creditor to sue for each overdue portion separately as they become due under the agreement.

22. (C) Ninety days
The law of limitation sets specific timeframes for filing appeals to different courts. When a party wishes to file an appeal in a High Court against the judgement or decree of a lower court, the prescribed period of limitation is ninety days. This period starts from the date of the decree or order, though time spent obtaining documents is excluded.

23. (D) The duration of the stay ordered by the injunction shall be excluded from the count.
When the execution of a decree is stayed by an injunction or order of a court, the period during which that stay was in force is not counted against the decree-holder. In computing the limitation period for an execution application, the entire duration of the stay, including the day it was issued and withdrawn, is specifically excluded from computation.

24. (D) An oral admission of liability made before a notary public.
A fresh period of limitation can be triggered by a written acknowledgement signed by the party or a part payment of debt made before the original period expires. This also applies to interest payments on legacies by authorized agents. However, an oral admission, even if made before a public official, does not satisfy the statutory requirement for a signed written acknowledgement of liability.

25. (B) For possession of immovable property, the period of limitation is thirty years.
Under the Limitation Act, a mortgagee has thirty years to file a suit for foreclosure. This period begins when the money secured by the mortgage becomes due. For a mortgagee seeking possession of immovable property, the period of limitation is also thirty years. The thirty-year period starts when the mortgagee becomes entitled to possession of the specific property.

26. (D) An appeal or an application
The statutory definition of a suit is deliberately narrow to distinguish it from other types of legal proceedings. While the law contains specific rules for set-offs and counter-claims within the context of suits, it explicitly states that the term suit does not include an appeal or an application. These different categories of legal actions are governed by their own distinct limitation periods.

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(D) P-2, Q-1, R-4, S-3

Oct/Nov 2019

57. Review the following statements regarding the period of limitation for various suits:

I. For arrears of rent: Three years.
II. For specific performance of a contract: Three years.
III. Execution of a decree: Twelve years.
IV. Recovery of loss caused by fraud: Three years.
V. Any suit for which no period is provided elsewhere: Thirty years.

Which of the above combination of statements is correct?

(A) I, II, III and IV only
(B) I, III, IV and V only
(C) II, III, IV and V only
(D) I, II, III, IV and V

May/June 2018

58. Which of the following pairs of "Suit Description" and "Period of Limitation" is INCORRECTLY matched?

(A) Appeal to other Court against judgement: Ninety days.
(B) To enforce payment of money secured by mortgage: Twelve years.
(C) Any suit for which no specific period is provided: Three years.
(D) To apply for the execution of a judicial decree: Twelve years.

Oct/Nov 2015

59. Consider the following statements regarding the computation and extension of limitation:

I. The provision for cases where the court is closed applies when the prescribed period expires on a day the court is closed.
II. Under this provision, the suit may be instituted on the day the court reopens.
III. The legal rule for extension of the limitation period for sufficient cause allows for execution petitions to be admitted after the prescribed period.
IV. The legal rule for extension of the limitation period for sufficient cause allows for appeals to be admitted after the prescribed period.

Which of the above combination of statements is correct?

(A) I, II and III only
(B) I, II and IV only
(C) II, III and IV only
(D) I, III and IV only

May/June 2016

60. Consider the following statements regarding the institution of a suit:

I. In the case of a set-off, it is deemed to have been instituted on the date on which the set-off is pleaded in court.
II. In the case of a counter-claim, it is deemed to have been instituted on the date on which the counter-claim is made in court.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2025

61. Read the following scenario and answer the question.

Mr. X files an appeal against a lower court's judgement 10 days after the prescribed period of 30 days has expired. He submits an application stating he was severely ill and hospitalized, providing medical records as proof. Under which provision can the appellate court admit his appeal?

(A) The provision where the limitation is not specifically set up as a defense.
(B) The provision related to the expiration of limitation when a court is closed.
(C) The provision for admitting an appeal after the period for sufficient cause.
(D) The appeal cannot be admitted by the court under any legal circumstances.

May/June 2005

62. Read the following scenario and answer the question.

A bank acting as a mortgagee wishes to file a suit for the foreclosure of a mortgaged property after the borrower defaults. The money secured by the mortgage became due on 1st January 2010. Until what date can the bank legally file the suit for foreclosure?

(A) 1st January 2013
(B) 1st January 2022
(C) 1st January 2040
(D) There is no limitation period for foreclosure.

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excluded, not included, in the computation. This exclusion provides a fair starting point for the period.

37. (A) 2, 4, 3, 1
The process starts with the initial creation of a loan or debt. Before the original limitation period expires, the person liable must make a part payment on the debt. From the exact time of this payment, a fresh period of limitation is then computed. Finally, if no further legal action or acknowledgement occurs, the newly computed prescribed period of limitation will eventually expire.

38. (A) I and II only
When computing limitation, the day from which the period is reckoned must be excluded. Similarly, the time required to obtain a copy of an award is excluded when applying to set that award aside. However, the time during which a defendant has been absent from India is excluded from the computation, not included, ensuring the plaintiff is not penalized for the absence.

39. (A) I, II and IV only
Enforcing payment of money secured by mortgage has a twelve-year limitation. Mortgagees have thirty years for foreclosure, starting when the secured money becomes due. These are correct. However, the limitation for a mortgagee seeking possession of immovable property is actually thirty years. This distinction is crucial for mortgagees to understand when determining the appropriate timeframe for filing their legal claims.

40. (D) Applicant : Includes a petitioner
The definition of an applicant under limitation law specifically includes a petitioner. While other terms have specific nuances—the prescribed period is the period of limitation computed after applying legal exclusions, and a suit explicitly excludes appeals and applications—the inclusion of a petitioner as an applicant is a direct and correct statutory definition. This ensures that petitioners are governed by the relevant rules.

41. (A) I, II, III and IV only
Acknowledgements of liability must be in writing and can be signed by a person through whom a party derives title. Payment on account of interest on a legacy or part payment of debt before the original period expires creates a fresh period. However, debt in the context of part payment provisions explicitly excludes money payable under a court decree, making the fifth statement incorrect.

42. (A) P-4, Q-1, R-3, S-2
An applicant includes a petitioner. A defendant encompasses any person from whom a liability to be sued is derived. A plaintiff includes those whose estate is represented as an executor deriving the right to sue. Finally, the term suit is defined such that it does not include an appeal or an application. These definitions form the structural basis for applying limitation rules.

43. (C) I and III only
The law defines an applicant to include anyone through whom the right to apply is derived. Similarly, a defendant includes persons whose estate is represented by the defendant as an executor or administrator. However, the definition of a suit specifically excludes appeals or applications. Therefore, claiming that a suit includes these other legal proceedings is incorrect under the statutory definitions of limitation law.

44. (C) Both I and II
For appeals filed in a High Court against the judgement of a lower court, the prescribed period of limitation is ninety days. For appeals filed in any other court against a lower court judgement, the limitation period is significantly shorter, set at thirty days. Both statements correctly reflect the different timeframes mandated by the schedule based on the level of the appellate court.

45. (A) I, II, III and IV only
The limitation period for money lent or lent under a demand agreement begins when the loan is made. For bills payable at sight, it starts upon presentation, and for promissory notes after sight, it starts when the fixed time expires. However, for the recovery of loss caused by fraud, the period begins from the discovery of fraud, not when the fraud occurred.

46. (B) 1, 3, 2, 4
First, the court pronounces the judgement. In computing the limitation period, the day the judgement was pronounced is immediately

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rules.
(D) A partner's share in a firm's income is exempt if the firm is separately assessed as such.

May/June 2024

31. Match the items in List I with the items in List II.
List I: (GST Concepts)
P. CGST
Q. SGST
R. IGST
S. CVD
List II: (Descriptions)
1. Levied by the Centre on intra-State supply of goods and/or services
2. Levied by the States on intra-State supply of goods and/or services
3. Levied and administered by the Centre on every inter-state supply
4. Additional Duties of Customs subsumed under GST
(A) P-2, Q-3, R-1, S-4
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2008

32. Consider the following statements under Commodity Transaction Tax (CTT):
I. "Board" refers to the Central Board of Direct Taxes.
II. The "Appellate Tribunal" is a body established under the Income-tax Act.
III. Agricultural commodities traded in recognised stock exchanges are subject to CTT.
Which combination of statements is correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II and III

May/June 2006

33. Match the items in List I with the items in List II.
List I: (TDS Sections)
P. Section 193
Q. Section 194C
R. Section 194H
S. Section 194I
List II: (Nature of Payment)
1. Payment by way of rent
2. Payment of brokerage and commission
3. Interest on securities
4. Payment to contractors or sub-contractors
(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

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Oct/Nov 2017

34. Consider the following statements regarding GST and its components:
I. It is a dual GST with the Centre and States simultaneously levying it on a common tax base.
II. CGST is levied by the Centre on intra-State supply of goods and/or services.
III. SGST is levied by the Centre on inter-state supply of goods and services.
IV. IGST is levied and administered by the Centre.
Which combination of statements is correct?
(A) I, II and III
(B) I, II and IV
(C) II, III and IV
(D) I, III and IV

May/June 2008

35. Match the items in List I with the items in List II.
List I: (Tax-related Documents/Identifiers)
P. Form 60
Q. Form 49B
R. ITR
S. TAN
List II: (Application/Description)
1. Application filed to obtain Tax Deduction Account Number
2. Filed by a parent/guardian not having a PAN when a minor opens an account
3. Number required by a person deducting tax at source
4. Prescribed form in which a corporate assessee files return of income
(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2013

36. Consider the following statements regarding Tax Deducted at Source (TDS) rules:

56. (A) P-3, Q-4, R-1, S-2
For money deposited payable on demand, limitation starts when the demand is made. On bills of exchange payable at sight, it begins when the bill is presented. Suits for arrears of rent begin when the arrears become due. For recovering loss caused by fraud, the period runs from when the fraud is discovered, which is often effectively the date it occurred.

57. (A) I, II, III and IV only
The limitation for arrears of rent, specific performance, and fraud-related loss is three years. Execution of a decree has a twelve-year limitation. These are correct. However, for any suit where no period is provided elsewhere, the limitation is three years, not thirty. The thirty-year period is reserved for specific suits, such as those by the government or for foreclosure.

58. (A) Appeal to other Court against judgement: Ninety days.
According to the schedule, the period of limitation for filing an appeal in a High Court is ninety days. However, for an appeal filed in any other court against a judgement, the prescribed period is thirty days. Thus, the pair matching appeals to other courts with a ninety-day period is incorrect, as it misattributes the longer timeframe reserved for High Court appeals.

59. (B) I, II and IV only
If limitation expires when the court is closed, a suit can be filed upon reopening. The provision for extending time due to sufficient cause applies to appeals but explicitly excludes applications for the execution of a decree. Therefore, the statement claiming that execution petitions can be admitted after the prescribed period for sufficient cause is legally incorrect, as this relief is not available.

60. (B) Only II
A counter-claim is deemed to have been instituted on the specific date it is made in court. However, a claim of set-off is treated differently; it is legally deemed to have been instituted on the same date as the original suit in which the set-off is pleaded, not the date the plea was made. Consequently, only the statement regarding the counter-claim is correct.

61. (C) The provision for admitting an appeal after the period for sufficient cause.
Under the law of limitation, courts have the authority to condone delays in filing appeals if the appellant can demonstrate sufficient cause. Severe illness and hospitalization are generally recognized as valid reasons for such a delay. By providing medical records as proof, Mr. X satisfies the requirement for sufficient cause, allowing the appellate court to exercise its discretion and admit the late appeal.

62. (C) 1st January 2040.
A mortgagee has a prescribed limitation period of thirty years to file a suit for foreclosure. This period begins to run from the date when the money secured by the mortgage becomes due. Since the money in this scenario became due on 1st January 2010, the bank has thirty years from that date, making the final legal filing deadline 1st January 2040.

63. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The law requires the day from which a limitation period is reckoned to be excluded. For appeals, this includes the day the judgement was pronounced. This rule ensures that the appellant receives the benefit of the entire prescribed period. Because the exclusion of the judgement day is a direct application of the general principle of reckoning time, both statements are true.

64. (A) It is excluded from the computation of the period of limitation.
When a specific law requires a mandatory notice period before a suit can be instituted against the government or a public officer, the period of that notice is excluded. In this case, the two-month period the plaintiff spent waiting after giving notice is not counted toward the limitation period. This ensures the plaintiff is not penalized for complying with a mandatory legal requirement.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The law of limitation imposes a strict duty on courts to dismiss suits filed after the prescribed period. This requirement exists independently of whether the defendant chooses to raise

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CHAPTER 24

Tax Laws

May/June 2016

1. What is the prescribed penalty for any failure to file Tax Deducted at Source (TDS) returns or statements?
(A) INR 100 per day for the period of default
(B) INR 200 per day for the period of default
(C) INR 500 per day for the period of default
(D) INR 1,000 per day for the period of default

Oct/Nov 2009

2. Which of the following statements regarding Assessment Proceedings is INCORRECT?
(A) A return of income can be revised to correct any mistake within one year from the end of the assessment year or before completion of assessment, whichever is earlier.
(B) Summary assessment is where the return of income is accepted by the Assessing Officer without any further enquiry.
(C) A return declaring loss can be filed at any time in the future without losing the benefit of carry forward and set off.
(D) Super Senior Citizens are given the option to submit their return in paper mode under specific conditions.

May/June 2023

3. Which of the following defines a "commodity derivative" according to financial regulations?
(A) A contract for delivery of goods which is a ready delivery contract.
(B) A contract solely for the physical exchange of agricultural commodities.
(C) A contract for differences deriving its value from prices of underlying goods.
(D) A transaction of sale of commodity derivatives outside a recognised stock exchange.

Oct/Nov 2018

4. The GST subsumes various taxes levied and collected by the Centre and the States. Which of the following taxes is NOT subsumed under GST?
(A) Central Excise duty
(B) Additional Duties of Customs (CVD)
(C) Corporate Income Tax
(D) Taxes on lottery, betting and gambling

May/June 2007

5. How is a company's residential status conceptually determined if it is an Indian company?
(A) Treated as non-resident unless its primary strategic management is based entirely abroad.
(B) Resident if registered under the Companies Act or a body corporate set up by statute.
(C) Specifically treated as a resident but not ordinarily resident for tax filing purposes.
(D) Treated as resident only if 100% of its core operations are within Indian territory.

Oct/Nov 2025

6. A bank credits the professional fees payable to an auditor into the auditor's account in its books without actually making the physical payment. What is the most appropriate Tax Deducted at Source (TDS) implication?
(A) There is no obligation to deduct tax until the actual payment is made in cash or via bank transfer.
(B) It is deemed to be a payment and there is an immediate obligation to deduct tax at source.
(C) The bank must wait until the end of the financial year to deduct the tax.
(D) The auditor becomes responsible for paying the advance tax instead of the bank deducting TDS.

May/June 2012

7. Which of the following best defines the term "Previous Year" for income tax purposes in India?
(A) The period of 12 months beginning from 1st April of the year in which the income is assessed.
(B) The financial year immediately preceding

NODIA

75. (A) The suit is validly instituted as the court was closed on the expiry day.
The law provides that if the prescribed limitation period for a suit expires on a day when the court is closed, the suit may be instituted on the day the court reopens. Since the bank's limitation period ended on a Sunday, filing the suit on the following Monday is legally permissible and considered within time, without requiring proof of sufficient cause.

76. (D) The duration of the stay, including both dates, is excluded from computation.
In computing the limitation period for an execution application, the time during which an injunction or stay order was in force must be excluded. This exclusion specifically includes the day on which the injunction was issued and the day it was withdrawn. Therefore, the entire period between 5th May and 25th May is subtracted from the total time elapsed.

77. (C) No, because the period of limitation of three years begins only when the demand is made.
For money deposited under an agreement that it shall be payable on demand, the three-year limitation period does not start from the date of the deposit. Instead, it begins to run only when the customer makes a formal demand for the repayment of the money. Therefore, despite five years passing since the initial deposit, the claim remains valid if filed within three years.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A written acknowledgement of liability can only trigger a fresh period of limitation if it is made while the original period is still subsisting. Once the limitation period has expired, the debt becomes time-barred, and a subsequent acknowledgement cannot revive it under these specific statutory provisions. Both the assertion and the reason correctly describe this essential timing requirement for valid acknowledgements.

79. (B) It is excluded from the computation of the period of limitation.
In computing the period of limitation for a review application, the time taken to obtain a copy of the order or award being reviewed is excluded. The party applied for the copy on 2nd June and received it on 10th June. This entire duration is subtracted from the total time elapsed, ensuring the party is not penalized for the court's administrative processing.

80. (B) A fresh period of three years is computed from 1st March 2021.
The borrower signed an acknowledgement of the debt on 1st March 2021, which was before the original three-year limitation period expired on 1st April 2021. Under the law, a written and signed acknowledgement made before the expiration of the prescribed period creates a fresh limitation period. Therefore, a new three-year period for the bank to sue begins from 1st March 2021.

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limitation as a defense. Since the court must apply the statute of limitation on its own motion, the assertion and its reasoning correctly describe this fundamental principle of civil procedure and judicial duty.

66. (B) 31st March 2021.
For a mutual, open, and current account with reciprocal demands, the limitation period begins at the close of the year in which the last item is entered. Since the last entry was on 15th October 2020 and the financial year ends on 31st March, the year of the account closes on 31st March 2021. The three-year limitation period starts from this date.

67. (C) 20th February.
For the purposes of the law of limitation, a counter-claim is treated as a separate suit. Its institution date is not the same as the original suit; rather, it is deemed to be instituted on the actual date the counter-claim is made in court. Therefore, if the defendant files the counter-claim on 20th February, that is the date used for limitation purposes.

68. (C) Assertion (A) is true, but Reason (R) is false.
The law excludes the time during which a defendant is absent from India when computing the limitation period. This protects plaintiffs when defendants are unavailable. However, it is not legally impossible to file a suit against someone abroad, as service can be effected through other means. The exclusion exists for fairness, not because filing is impossible, making the reason logically false.

69. (B) From the expiration of the first term of payment.
In the case of a promissory note payable by instalments, the limitation period applies to each instalment individually. The period for recovering the first instalment begins specifically from the expiration of the first term of payment. This allows the creditor three years from that specific due date to initiate legal action for the recovery of that particular portion of the total debt.

70. (A) Yes, because the period of absence from India is excluded from the computation.
The borrower was absent from India for exactly one year. According to limitation rules, this one-year period of absence must be excluded from the three-year computation. Consequently, the bank's total available time to file the suit is extended by one year. Filing on 1st June 2021 is within the extended period, as the original three-year deadline was shifted from 2021 to 2022.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The provision allowing courts to admit late filings for sufficient cause applies to appeals and applications but explicitly excludes execution petitions. Therefore, an execution petition filed after the prescribed period must be dismissed, and the court cannot extend the time even if the applicant has a valid reason. The reason correctly explains why the assertion holds true under the statutory framework.

72. (A) 1st March.
Under the rules governing the institution of claims, a set-off is legally deemed to have been instituted on the same date as the original suit in which it is pleaded. Since the plaintiff filed the main suit on 1st March, the defendant's subsequent claim of set-off in the written statement relates back to that same date for the purpose of limitation.

73. (A) It begins on 10th May 2018, and the duration is three years.
For suits to recover losses caused by fraud, the prescribed period of limitation is three years. This period begins to run only from the date the fraud is discovered by the affected party. Since the bank discovered the fraud on 10th May 2018, the three-year period starts on that date, allowing them until 10th May 2021 to file the suit.

74. (B) A fresh period of limitation is computed from 15th July.
When a part payment toward a debt is made by a person liable or their authorized agent before the limitation period expires, it triggers a fresh period of limitation. This new three-year period is computed from the date the payment was made. Since the agent's payment on 15th July occurred within the original period, a fresh limitation period begins from that day.

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the assessment year.
(C) The calendar year in which the income is earned by the assessee.
(D) The accounting year chosen by the assessee for business purposes.

Oct/Nov 2014

8. Which of the following statements correctly identifies a provision of Imports in the GST Regime?
(A) Import of services without consideration is always considered a supply, regardless of relationship.
(B) Import of services from a related person for business is supply even without consideration.
(C) Import of services is defined as a supply where the supplier is in India and recipient is abroad.
(D) Business test must always be fulfilled for import of service with consideration to be deemed supply.

May/June 2019

9. While Tax Deducted at Source (TDS) provisions are generally applicable to banks, which of the following entities is specifically exempted from TDS under standard bank-related payment rules?
(A) Foreign banks operating in India
(B) Members of Co-operative banks
(C) Private sector commercial banks
(D) Regional Rural Banks

Oct/Nov 2006

10. How does the residential status of an assessee impact the taxation of their income in India?
(A) A non-resident is taxed on their global income, whereas a resident is taxed only on income earned in India.
(B) Both residents and non-residents are taxed uniformly on their worldwide income for the fiscal year.
(C) A resident is taxed on global income, whereas a non-resident is taxed only on income arising in India.
(D) Residents but not ordinarily residents are exempt from all taxes within the Indian sovereign territory.

May/June 2021

11. In the context of the Commodities Transaction Tax (CTT), what is the most appropriate classification for a contract for differences which derives its value from indices of prices of underlying goods?
(A) Agricultural commodity
(B) Ready delivery contract
(C) Subsidy or grant
(D) Commodity derivative

Oct/Nov 2010

12. On which date did the Income Tax Act 1961 come into force in India?
(A) April 1st 1961
(B) April 1st 1962
(C) March 31st 1961
(D) March 31st 1962

May/June 2005

13. Identify the INCORRECT statement regarding the computation of taxable income.
(A) Deductions under Chapter VIA are added to gross total income to derive taxable income.
(B) Income arising under various heads is computed separately as per relevant provisions.
(C) The gross total income is the sum of the amounts computed under individual heads of income.
(D) An individual assessee has the option to choose a new tax regime by forgoing certain exemptions.

Oct/Nov 2022

14. Which of the following statements correctly describes a provision defining "Income" for taxation purposes?
(A) Income excludes the value of any perquisite taxable under standard salary rules.
(B) Voluntary contributions received by a charitable trust are excluded from the definition of income.
(C) Income includes any sum received under a Keyman insurance policy including any allocated bonus.
(D) Winnings from lotteries and crossword puzzles are considered capital gains and not taxable income.

May/June 2018

15. When an individual pays tax based on an estimation of income that falls short of the tax

NODIA

excluded. Subsequently, the appellant applies for a copy of the decree. The final step involves excluding the actual time taken by the court to prepare and provide the copy of the decree, ensuring the appellant has the full prescribed period to appeal.

47. (A) I, II and III only
A petitioner is legally classified as an applicant. Good faith requires performing acts with due care and attention. The definition of a plaintiff includes those from whom the plaintiff derives the right to sue. However, an executor representing the estate of an applicant is actually included in the definition of an applicant, making the statement that they are excluded legally inaccurate.

48. (B) For specific performance of a contract : The date fixed for the performance
The limitation period for a suit for the specific performance of a contract begins to run from the date specifically fixed for its performance. If no date is fixed, it begins when the plaintiff notices that performance has been refused. Other matches, such as arrears of rent starting from when they become due, or deposits starting from the demand, are the standard rules.

49. (A) I and II only
For bills of exchange payable at sight, the limitation period starts when the bill is presented. For promissory notes payable at a fixed time after sight, it begins when that fixed time expires. However, for promissory notes payable by instalments, the period does not begin entirely from the first default; rather, it runs separately for each instalment from its respective due date.

50. (C) Both I and II
In cases of money payable for money lent, the three-year limitation period begins on the date the loan is made. This rule also applies to money lent under an agreement specifying that it shall be payable on demand. In both instances, the time from which the period begins to run is the date on which the loan transaction was originally executed.

51. (B) I, II, III, IV and V
The law of limitation applies throughout India. Its definitions clarify that a suit does not include appeals or applications. Furthermore, executors representing a defendant's estate are considered defendants, and good faith is strictly defined as acting with due care and attention. Each of these statements accurately reflects the fundamental legal framework and definitions established within the statutory provisions of the limitation law.

52. (A) P-3, Q-4, R-2, S-1
If the court is closed on the expiration day, the suit may be instituted when it reopens. Delayed appeals may be admitted upon showing sufficient cause. A claim of set-off is deemed instituted on the same date as the original suit. Conversely, a counter-claim is deemed instituted on the date it is actually made in court. These rules ensure procedural fairness in litigation.

53. (C) Filing appeal : Time taken to obtain a copy of the decree is included
The law specifically provides for the exclusion of certain periods when computing limitation. For filing an appeal, the time required to obtain a copy of the decree, sentence, or order appealed from must be excluded from the computation. Therefore, the statement claiming that this time is included is incorrect, as it would unfairly reduce the time available to the appellant.

54. (A) I and II only
It is a mandatory rule that any suit instituted after the prescribed period must be dismissed, regardless of whether the defendant raises the limitation defense. Regarding definitions, period of limitation is the time prescribed by the schedule, while prescribed period is the period computed after applying legal exclusions. Since the definitions in statements III and IV are swapped, only I and II are correct.

55. (B) I and III only
A fresh period of limitation requires a written acknowledgement of liability. Additionally, the term debt for the purposes of part payment does not include money payable under a court decree. However, a part payment made by a duly authorized agent is indeed a valid act that triggers a fresh period of limitation, making the statement that it does not constitute a valid act incorrect.

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May/June 2010

23. The Goods and Services Tax (GST) is designed to eliminate the cascading system of tax. What does this conceptually imply?
(A) Taxes are levied solely by the Central Government without any State intervention or revenue sharing.
(B) Taxes are paid only by the primary manufacturer, entirely exempting the final consumer from tax burden.
(C) Tax rates compound at each stage of the supply chain to maximize revenue for the central authorities.
(D) Credits of input taxes paid at each stage are available in the subsequent stage of value addition.

Oct/Nov 2024

24. Which of the following is NOT considered an exempt income for tax purposes?
(A) Agricultural income
(B) Any sum received by an individual as a member of a Hindu Undivided Family paid out of family income
(C) Share of a partner in the total income of a separately assessed firm
(D) Income by way of dividends received from a foreign company by a resident

May/June 2017

25. Identify the INCORRECT statement regarding the scope of Total Income.
(A) The total income of a resident includes income that is received or deemed to be received in India.
(B) The total income of a non-resident includes income that accrues or arises outside India, even if not received in India.
(C) Income accruing outside India is not deemed to be received in India solely because it is taken into account in a balance sheet prepared in India.
(D) The total income of a resident includes income that accrues or arises to him outside India.

Oct/Nov 2005

26. Which of the following best defines the "Assessment Year" for income tax purposes?
(A) The financial year in which the income is earned by the assessee.
(B) The period of 12 months ending on 31st March of the year in which the return is filed.
(C) The year in which the assessee sets up a new business or profession.
(D) The 12-month period beginning April 1st during which income of the previous year is assessed.

NODIA

May/June 2020

27. If an Assessing Officer (AO) decides to scrutinize the return furnished by an assessee, what is the most appropriate procedural step the AO takes?
(A) Issue a notice and complete the assessment under the prescribed legal provisions.
(B) Issue an assessment order directly without providing any prior notification to the assessee.
(C) Proceed to arrest the assessee for intentional concealment of taxable income sources.
(D) Impose an immediate financial penalty equivalent to 100% of the gross total income.

Oct/Nov 2015

28. The concept of 'pay as you earn' in the taxation system is implemented through which of the following mechanisms?
(A) Advance tax
(B) Self-assessment tax
(C) Scrutiny assessment
(D) Summary assessment

May/June 2013

29. Income is generally categorized for taxation under five distinct heads. Which of the following is NOT one of these heads?
(A) Salaries
(B) Income from house property
(C) Income from foreign exchange fluctuations
(D) Income from capital gains

Oct/Nov 2021

30. Which of the following statements is correct regarding the exemption of a partner's share in a firm?
(A) The share of a partner in the total income of a firm is fully taxable in the hands of the partner.
(B) A partner's share is exempt only if the firm is engaged in agricultural activities within Indian borders.
(C) A partner's share is treated as capital gains and taxed at a flat rate of 15% under standard

payable as per the return of income, what is the most appropriate method to pay this shortfall?
(A) By way of an additional advance tax installment in the next financial year.
(B) By applying for a tax waiver from the Assessing Officer.
(C) By deferring the payment to the subsequent assessment year without interest.
(D) By way of 'self-assessment tax' as per standard procedures.

Oct/Nov 2016

16. How is a "Lottery" defined for income tax purposes?
(A) Includes prizes awarded by draw of lots, chance, or any other similar scheme.
(B) Strictly means a game of chance played via television or specified electronic modes.
(C) Refers only to winnings from horse races or card games conducted in sanctioned venues.
(D) Refers to sums received from employees as contributions to recognized provident funds.

May/June 2014

17. For which of the following transactions is quoting a Permanent Account Number (PAN) NOT legally required?
(A) Repayment of a Term Deposit of Rs. 10,000 by credit to a Bank Account
(B) Opening an account where Fixed deposit purchased exceeds Rs. 50,000
(C) Cash deposits aggregating Rs. 50,000 or more with any bank during any one day
(D) Payment in cash for purchase of foreign currency exceeding Rs. 50,000 at any one time

Oct/Nov 2007

18. Non-payment of tax deducted at source into the Government account attracts prosecution proceedings and imprisonment. What is the specified duration of imprisonment?
(A) 1 month to 3 years
(B) 3 months to 5 years
(C) 3 months to 7 years
(D) 6 months to 10 years

May/June 2025

19. Identify the INCORRECT statement concerning Goods and Services Tax (GST).
(A) GST came into force in India from July 8th 2017.
(B) GST is essentially a tax only on value addition at each stage.
(C) GST is a destination-based tax where the tax is collected by the State where goods are consumed.
(D) IGST is levied and administered by the Central Government on every inter-state supply of goods and services.

Oct/Nov 2019

20. Which statement is correct regarding the collection and recovery of Commodities Transaction Tax (CTT)?
(A) The exchange collects CTT from the seller who enters into a taxable commodities transaction.
(B) The buyer is solely responsible for collecting CTT and paying it to the Central Government Treasury.
(C) CTT collected must be paid to the Central Government by the fifteenth day of the following calendar month.
(D) An assessee failing to collect CTT is completely absolved of the financial liability to pay the tax.

May/June 2009

21. What is the most appropriate consequence if a bank fails to deduct tax at source (TDS) on a payment of Rs. 1,00,000 to a contractor?
(A) The bank must pay a flat penalty of Rs. 1,00,000 even if the expenditure is allowed for deduction.
(B) The contractor's PAN is permanently blocked by the tax authorities until the full amount is settled.
(C) The amount is disallowed as an expenditure and added back to the income of the bank.
(D) The bank is exempted from liability if the contractor pays the tax later through self-assessment.

Oct/Nov 2011

22. What is the limit of cash deposit in a Savings Account in a financial year that triggers the requirement of quoting a Permanent Account Number (PAN)?
(A) Exceeding Rs. 5,00,000
(B) Exceeding Rs. 10,00,000
(C) Exceeding Rs. 20,00,000
(D) Exceeding Rs. 50,00,000

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I. Payment of interest other than interest on securities is covered under Section 194A.
II. Payment by way of rent is covered under Section 194I.
III. Tax deducted must be deposited in the Government account within one week from the end of the month in which it is deducted.
IV. Specific sections cover the payment of salaries to non-residents.
V. The rate given in the Double Taxation Avoidance Agreement (DTAA) is applied for TDS if it is lower than the standard tax rates.

Which combination of statements is correct?
(A) I, II, III and IV
(B) I, II, III and V
(C) II, III, IV and V
(D) I, III, IV and V

May/June 2015

37. Arrange the following installments of advance tax payable by corporate assesses in the correct chronological order of their deadlines within a financial year:
I. 100 per cent by March 15
II. 15 per cent by June 15
III. 75 per cent by December 15
IV. 45 per cent by September 15

Which of the following represents the correct sequence?
(A) II, IV, III, I
(B) II, III, IV, I
(C) I, II, III, IV
(D) IV, II, III, I

Oct/Nov 2012

38. Consider the following statements regarding the meaning of "Income":
I. It includes any capital gains chargeable under the relevant sections.
II. It excludes winnings from lotteries and crossword puzzles.
III. It includes the profits and gains of any business of insurance carried on by a mutual insurance company.

Which combination of statements is correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II and III

NODIA

May/June 2011

39. Consider the following statements related to TDS compliance by banks:
I. The person deducting tax at source must obtain a Tax Deduction Account Number (TAN).
II. Tax deducted must generally be deposited in the Government account within one week from the end of the month in which it is deducted.
III. Quarterly returns of TDS are not required to be filed in computer media.
IV. Failure to deduct tax at source results in disallowance of the relevant expenditure in the computation of income.

Which combination of statements is correct?
(A) I, II and III
(B) I, II and IV
(C) II, III and IV
(D) I, III and IV

Oct/Nov 2020

40. Which of the following pairs correctly represents a taxable commodity transaction and its corresponding CTT rate?
(A) Sale of commodity derivative — 0.05 per cent
(B) Sale of option in goods — 0.05 per cent
(C) Sale of option on commodity derivative — 0.01 per cent
(D) Sale of option on commodity derivative, where option is exercised — 0.125 per cent

May/June 2022

41. Consider the following statements regarding GST implementation and Imports:
I. There are approximately 160 countries in the world that have implemented a GST system.
II. GST subsumes Central Excise duty, CVD, and State-level Octroi and Entry tax.
III. Import of services involves a supplier located outside India and a recipient in India.
IV. Import of services without consideration is entirely exempt from being considered a supply under any schedule.
V. If tax on import of services was paid in full under previous law before the appointed day, no tax is payable under the IGST Act.

Which combination of statements is correct?
(A) I, II, III and IV
(B) I, II, III and V

of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2023

66. Read the following scenario and answer the question that follows:
Gamma Trading also executes a sale of an option on a commodity derivative where the option is eventually exercised. What rate of Commodities Transaction Tax (CTT) applies, and who is responsible for paying it?
(A) 0.05 per cent payable by the seller
(B) 0.01 per cent payable by the seller
(C) 0.0001 per cent payable by the purchaser
(D) 0.125 per cent payable by the purchaser

Oct/Nov 2018

67. Read the following scenario and answer the question that follows:
Zenith Bank engages Beta Corp as a contractor for renovating its branch offices, agreeing to pay Rs. 5,00,000. Under which section of the tax law should Zenith Bank deduct tax at source for the payment made to Beta Corp?
(A) Section 194A
(B) Section 194H
(C) Section 194C
(D) Section 194I

May/June 2016

68. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Members of Co-operative banks are subjected to a higher rate of Tax Deducted at Source (TDS) compared to private sector banks.
Reason (R): The provisions relating to TDS are critical in the normal day-to-day business activities of a bank.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2006

69. Read the following scenario and answer the question that follows:
Delta Ltd., an Indian company, imports consulting services from its parent company located in the UK. The import is made in the course of Delta Ltd.'s business but without any consideration paid to the UK parent. Under the provisions of the IGST Act, how is this transaction treated?
(A) It is not considered a supply because no consideration was paid.
(B) It is entirely exempt from GST since the parent company is based outside the Indian tax jurisdiction.
(C) It is subject to State GST (SGST) rather than Integrated GST (IGST).
(D) It is treated as a supply because it is imported from a related person in the course of business.

May/June 2019

70. Read the following scenario and answer the question that follows:
Mr. Sharma's minor daughter wishes to open a fixed deposit of Rs. 55,000 but does not have a Permanent Account Number (PAN). What is the correct procedure for her to fulfill the PAN requirement?
(A) She cannot open a fixed deposit exceeding Rs. 50,000 until she turns 18 and obtains a PAN.
(B) The bank manager must issue a temporary PAN for the transaction.
(C) She shall quote the PAN of her father, mother, or guardian in the application.
(D) She is completely exempted from quoting any PAN due to her minor status.

Oct/Nov 2014

71. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): If a bank fails to deduct tax at source on a Rs. 1,00,000 payment to a contractor, the entire Rs. 1,00,000 will be added back and treated as income of the bank.
Reason (R): Relevant tax law stipulates that failure to deduct tax at source results in the disallowance of the relevant expenditure in the computation of income.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true,

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Which combination of statements is correct?
(A) I, II and III
(B) I, II and IV
(C) II, III and IV
(D) I, III and IV

Oct/Nov 2022

48. Which of the following pairs correctly matches the section of tax law with its corresponding TDS provision?
(A) Section 194C — Payment by way of rent
(B) Section 194J — Payment of professional fees
(C) Section 194H — Payment to non-resident
(D) Section 192 — Interest on securities

Oct/Nov 2007

49. Consider the following statements regarding the benefits of GST:
I. It removes the cascading of taxes for business and industry.
II. It creates a single and transparent tax proportionate to the value of goods and services for the consumer.
III. It leads to lower revenue efficiency for Central and State Governments.
Which combination of statements is correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II and III

May/June 2005

50. Consider the following statements under the GST Regime:
I. Import of services without consideration is universally considered a supply under all circumstances.
II. Import of services by a taxable person from a related person in the course of business is treated as supply even if made without consideration.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2024

51. Consider the following statements relating to the Commodity Transaction Tax (CTT):
I. It was introduced under the Finance Act, 2013.
II. The tax is leviable on taxable commodities transactions in recognised stock exchanges.
III. A commodity derivative includes a contract for delivery of goods which is a ready delivery contract.
IV. The rate for sale of an option in goods is 0.05 per cent payable by the seller.
V. Failure to collect CTT makes the assessee liable to pay the tax to the Central Government.
Which combination of statements is correct?
(A) I, II, IV and V
(B) I, II, III and IV
(C) II, III, IV and V
(D) I, III, IV and V

May/June 2010

52. Match the items in List I with the items in List II.
List I: (Deadlines for Corporate Advance Tax)
P. June 15
Q. September 15
R. December 15
S. March 15
List II: (Cumulative Percentage Payable)
1. 45 per cent
2. 75 per cent
3. 100 per cent
4. 15 per cent
(A) P-4, Q-1, R-2, S-3
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2010

53. Which of the following pairs INCORRECTLY matches the transaction type with its financial threshold requiring the quoting of a Permanent Account Number (PAN)?
(A) Term Deposit purchase — Exceeds Rs. 50,000
(B) Repayment of Term Deposit — Exceeds Rs. 50,000
(C) Cash payment for foreign currency — Exceeding Rs. 50,000
(D) Cash deposit in a Current Account in a Financial Year — Up to Rs. 10,00,000

May/June 2021

54. Consider the following statements regarding the mandatory quoting of a Permanent Account Number (PAN):

NODIA

(C) II, III, IV and V
(D) I, III, IV and V

Oct/Nov 2023

42. Consider the following statements regarding the filing of income tax returns:
I. An individual without a Permanent Account Number (PAN) may file a return using their Aadhaar number.
II. Super Senior Citizens are required to file their returns online without any exception.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2024

43. Consider the following statements regarding the computation of income:
I. Income arising under various heads is computed in an aggregated manner simultaneously.
II. Specific provisions allow for various deductions from the gross total income.
III. Assessees may have the option to choose a new tax regime by forgoing certain deductions and exemptions.
Which combination of statements is correct?
(A) I and II
(B) I and III
(C) II and III
(D) I, II and III

May/June 2011

44. Consider the following statements:
I. A return of income can be revised to correct any mistake within one year from the end of the assessment year or before completion of assessment, whichever is earlier.
II. Any delay in filing a return declaring loss will not affect the benefit of carry forward of such loss in future years.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2025

45. Consider the following statements regarding Assessment Proceedings and Tax payments:
I. A corporate assessee files a return of income in computer media (e-filing).
II. The due date for filing a corporate return is generally October 31 of the Assessment year, subject to exceptions.
III. A return declaring loss can be filed at any time up to three years after the assessment year to carry forward losses.
IV. Advance tax is based on the concept of 'pay as you earn'.
V. Shortfall in advance tax paid is covered by 'self-assessment tax'.
Which combination of statements is correct?
(A) I, II, IV and V
(B) I, II, III and IV
(C) II, III, IV and V
(D) I, III, IV and V

Oct/Nov 2017

46. Arrange the following steps involved in the computation of taxable income in their correct sequential order:
I. Calculate Income Tax on the Taxable Income applying relevant slabs, cess, and interest.
II. Compute income arising under various heads separately.
III. Reduce allowable deductions from the gross total income.
IV. Aggregate the computed incomes to arrive at the 'gross total income'.
Which of the following represents the correct sequence?
(A) II, III, IV, I
(B) II, IV, III, I
(C) IV, II, III, I
(D) III, II, IV, I

May/June 2018

47. Consider the following statements regarding Commodity Transaction Tax (CTT):
I. The recognised stock exchange is responsible for collecting CTT from the seller.
II. The tax collected in any calendar month must be paid to the Central Government by the seventh day of the immediately following month.
III. The rate of tax for the sale of a commodity derivative is 0.01 per cent payable by the seller.
IV. Any assessee who fails to collect the tax is absolved from the liability to pay the tax.

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May/June 2014

60. Consider the following statements regarding TDS non-compliance:

I. Non-payment of tax deducted at source into the Government account attracts imprisonment from 3 months to 7 years.

II. Levy of interest on the amount of tax payable at source is calculated at 18 per cent p.a. from the date deductible until payment.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2016

61. Read the following scenario and answer the question that follows:

Alpha Bank discovers an error in its original return of income filed on October 31st. Within what maximum timeframe can the bank file a revised return to correct this mistake, assuming no assessment has been completed yet?

(A) Within six months from the date of filing the original return.
(B) Within one year from the end of the financial year.
(C) Within one year from the end of the assessment year.
(D) Prior to the filing of the next year's return of income.

May/June 2007

62. Read the following scenario and answer the question that follows:

Delta Ltd. also imports IT services from an unrelated third-party vendor in the USA for a specific consideration. Which of the following statements is true regarding its treatment under GST?

(A) It is considered a supply whether or not it is in the course or furtherance of business.
(B) It is considered a supply only if the business test is explicitly fulfilled by the company.
(C) It is exempt from GST because the supplier is unrelated to the recipient company.
(D) It is treated as a non-taxable export of capital from the foreign third-party vendor.

Oct/Nov 2015

63. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): Import of services by a taxable person from a distinct person in the course of business is treated as supply even if it is made without any consideration.

Reason (R): In general, the IGST Act dictates that a business test must always be fulfilled for any import of service to be considered as a supply.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2013

64. Read the following scenario and answer the question that follows:

Mr. Sharma visits Delta Bank to conduct various transactions. For which of the following transactions is quoting his Permanent Account Number (PAN) NOT legally required?

(A) Purchasing a Fixed Deposit of Rs. 60,000.
(B) Depositing cash aggregating Rs. 55,000 in a single day.
(C) Purchasing foreign currency worth Rs. 55,000 in cash.
(D) None of the above; PAN is mandatory for all these transactions.

Oct/Nov 2009

65. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): The income declared by a resident assessee from anywhere in the world is taxable in India.

Reason (R): In the case of non-residents, any income derived abroad is not taxable and only income accruing or arising in India is liable to tax in India.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation

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9. (B) Members of Co-operative banks
Generally, banks are required to deduct tax at source on interest payments exceeding specified limits. However, specific exemptions exist within the regulatory framework. Payments made to members of co-operative banks are often exempted from certain TDS provisions. This ensures ease of operations for small-scale cooperative institutions and their members who engage in routine financial transactions within the banking network.

10. (C) A resident is taxed on global income, whereas a non-resident is taxed only on income arising in India.
Residential status is the primary factor determining the scope of taxable income in India. Residents are liable to pay tax on their global income, including earnings arising outside India. Conversely, non-residents are only taxed on income that is received, deemed to be received, or which accrues or arises within the sovereign territory of India during the relevant year.

11. (D) Commodity derivative
Commodity Transaction Tax applies to taxable commodities transactions involving derivatives. A contract for differences that derives its value from indices of prices of underlying goods is formally classified as a commodity derivative. This classification brings such financial instruments under the regulatory purview of CTT when traded on recognized stock exchanges within the Indian financial markets according to the Finance Act.

12. (B) April 1st 1962
The Income Tax Act was passed by the Indian Parliament in 1961 to consolidate and amend the law relating to income tax and super tax. Although named the 1961 Act, it officially came into force on the first day of April 1962. It applies to the whole of India and governs the assessment and collection of income.

13. (A) Deductions under Chapter VIA are added to gross total income to derive taxable income.
The computation of taxable income follows a structured process where income from various heads like salaries and business profits is aggregated to find the gross total income. Deductions under Chapter VIA are then subtracted from this gross amount to arrive at the net taxable income. Adding these deductions back would incorrectly increase the reported income and result in over-taxation.

14. (C) Income includes any sum received under a Keyman insurance policy including any allocated bonus.
The definition of income under tax laws is inclusive and broad. It specifically includes any sum received under a Keyman insurance policy, including any allocated bonus. This ensures that benefits derived from such corporate insurance arrangements are treated as taxable earnings, alongside other items like capital gains, lottery winnings, and various professional or business profits during the relevant period.

15. (D) By way of 'self-assessment tax' as per standard procedures.
When the tax paid via advance tax and TDS falls short of the final tax liability determined while filing the return, the assessee must pay the difference. This remaining balance is paid as self-assessment tax under section 140A. It must be deposited before furnishing the return of income to ensure the total tax obligation for the year is met.

16. (A) Includes prizes awarded by draw of lots, chance, or any other similar scheme.
For taxation purposes, a lottery is defined broadly to include any scheme for the distribution of prizes by lot or chance. This encompasses traditional draws, card games, or other similar arrangements where winnings are determined by luck rather than skill. Such winnings are categorized as income from other sources and are subject to specific tax rates and deduction rules.

17. (A) Repayment of a Term Deposit of Rs. 10,000 by credit to a Bank Account
Quoting a Permanent Account Number is mandatory for various high-value financial transactions to ensure transparency. While it is required for cash deposits exceeding fifty thousand rupees or opening accounts for large fixed deposits, it is not legally mandated for the repayment of a small term deposit of ten thousand rupees by credit to a bank account in standard procedures.

NODIA

but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2015

72. Read the following scenario and answer the question that follows:
During the computation of its taxable income, Alpha Bank aggregates the income computed under separate heads. What is the resulting figure formally called before applying specific Chapter VIA deductions?
(A) Taxable Income
(B) Net Total Income
(C) Self-Assessment Income
(D) Gross Total Income

Oct/Nov 2012

73. Read the following scenario and answer the question that follows:
If Delta Ltd. had initiated the import of IT services before the appointed day for GST implementation and the tax on such import had been paid in full under previous laws, what is the IGST liability on this import after the implementation date?
(A) Delta Ltd. must pay IGST and claim a refund of the previously paid tax under old rules.
(B) No tax shall be payable on such import under the IGST Act.
(C) Delta Ltd. must pay 50% of the normal IGST rate.
(D) The US vendor must register in India and pay the IGST.

May/June 2008

74. Read the following scenario and answer the question that follows:
Gamma Trading operates on a recognised stock exchange. In the month of August, the firm executes a sale of a commodity derivative. What is the rate of Commodities Transaction Tax (CTT) applicable to Gamma Trading for this transaction?
(A) 0.05 per cent
(B) 0.01 per cent
(C) 0.125 per cent
(D) 0.0001 per cent

Oct/Nov 2013

75. Read the following scenario and answer the question that follows:
Alpha Bank is a corporate assessee operating in India. For the financial year, the bank has an estimated advance tax liability of Rs. 10 Crores. By September 15th, what is the minimum cumulative amount of advance tax Alpha Bank should have paid to comply with relevant tax provisions?
(A) Rs. 1.5 Crores
(B) Rs. 4.5 Crores
(C) Rs. 7.5 Crores
(D) Rs. 10 Crores

May/June 2006

76. Read the following scenario and answer the question that follows:
What are the legal and financial consequences for Zenith Bank for failing to deduct tax at source on the Rs. 5,00,000 payment to Beta Corp?
(A) The bank is liable to pay a penalty of Rs. 50,000 only.
(B) The payment is fully allowed as a business expenditure but attracts interest.
(C) The bank's TAN will be permanently canceled by the board.
(D) The amount is disallowed as an expenditure and added back to the bank's income.

Oct/Nov 2008

77. Read the following scenario and answer the question that follows:
The stock exchange collected the Commodities Transaction Tax (CTT) from Gamma Trading for transactions occurring in the month of August. By what date must the exchange pay this tax to the credit of the Central Government?
(A) By August 31st
(B) By September 15th
(C) By September 7th
(D) By October 31st

May/June 2020

78. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Any delay in filing a return declaring loss will result in the denial of the benefit of carry forward of such loss and set off in future years.
Reason (R): A return of income can be revised

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to correct any mistake within one year from the end of the assessment year.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2021

79. Read the following scenario and answer the question that follows:

Zenith Bank credits Rs. 1,00,000 as professional fees to its legal advisor's account in its books on March 31 without making the actual payment. What is the bank's Tax Deducted at Source (TDS) obligation?

(A) No TDS obligation arises until the payment is physically cleared through a bank transfer or cash.

(B) The bank must deduct tax as crediting the payee's account is deemed to be a payment.

(C) The legal advisor must pay advance tax to relieve the bank of TDS obligations during the cycle.

(D) TDS is applicable only if the professional fee exceeds Rs. 5,00,000 as per recent amendments.

May/June 2017

80. Read the following scenario and answer the question that follows:

If Mr. Sharma had deposited cash in his savings account over the financial year, at what cumulative limit in a financial year would the bank require his Permanent Account Number (PAN)?

(A) Up to Rs. 2,00,000

(B) Up to Rs. 5,00,000

(C) Up to Rs. 10,00,000

(D) Up to Rs. 50,00,000

NODIA

ANSWERS

1. (B) INR 200 per day for the period of default
Failure to submit TDS statements or returns within the prescribed time limit results in a fee of two hundred rupees for every day the default continues. This penalty is levied under section 234E of the Income Tax Act. However, the total fee amount cannot exceed the amount of tax deductible for that specific period during which the default occurred.

2. (C) A return declaring loss can be filed at any time in the future without losing the benefit of carry forward and set off.
A return of income declaring a loss must be filed within the specified due dates under section 139 of the Income Tax Act. If the loss return is filed late, the benefit of carrying forward that loss to future years for set-off against subsequent profits is generally lost, except for certain specific types of losses like depreciation and house property loss.

3. (C) A contract for differences deriving its value from prices of underlying goods.
A commodity derivative refers to a financial contract whose value is determined by the price fluctuations of an underlying commodity. It includes contracts for differences which derive their value from the prices or indices of prices of underlying goods. These instruments allow market participants to hedge risks or speculate on future price movements of commodities traded on recognized stock exchanges.

4. (C) Corporate Income Tax
Goods and Services Tax was designed to consolidate various indirect taxes into a single comprehensive tax regime. While central excise duty, additional duties of customs, and state-level taxes like octroi and entry tax were merged into GST, direct taxes remain outside its scope. Corporate Income Tax is a direct tax levied on company profits and is governed by separate legislation.

5. (B) Resident if registered under the Companies Act or a body corporate set up by statute.
In the Indian taxation system, the residential status of a company is determined primarily based on its incorporation. Any company registered under the Companies Act or a body corporate established by any Indian statute is inherently considered a resident. Foreign companies are treated as residents only if their place of effective management is situated entirely within the Indian territory.

6. (B) It is deemed to be a payment and there is an immediate obligation to deduct tax at source.
Tax Deduction at Source obligations are triggered at the time of credit of income to the account of the payee or at the time of payment, whichever occurs earlier. When a bank credits professional fees to an auditor's account in its books, it is legally deemed as a payment, necessitating immediate tax deduction regardless of the physical fund transfer.

7. (B) The financial year immediately preceding the assessment year.
The term previous year signifies the financial year in which income is actually earned by an assessee. It begins on the first day of April and ends on the thirty-first day of March. This period immediately precedes the assessment year, which is the twelve-month duration during which the income earned in the previous year is evaluated and taxed.

8. (B) Import of services from a related person for business is supply even without consideration.
Under the GST regime, the import of services is treated as a supply under specific conditions. While import for consideration is always a supply, import without consideration is deemed a supply only when conducted from a related person or from any of their establishments outside India, provided it is in the course or furtherance of a business activity.

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I. It is required when a bank account is opened with a Fixed deposit exceeding Rs. 50,000.
II. A minor without taxable income opening a fixed deposit cannot use their parent's PAN.
III. It is required for cash deposits aggregating Rs. 50,000 or more with any bank during any one day.
IV. It is required for payment in cash for purchasing foreign currency exceeding Rs. 50,000 at any one time.

Which combination of statements is correct?
(A) I, II and III
(B) I, III and IV
(C) II, III and IV
(D) I, II and IV

Oct/Nov 2011

55. Consider the following statements regarding the "Total Income" of a non-resident:
I. It includes all income received or deemed to be received in India in such year.
II. It includes income that accrues or arises to him in India during such year.
III. It includes income that accrues or arises to him outside India.

Which combination of statements is correct?
(A) I and II
(B) II and III
(C) I and III
(D) I, II and III

May/June 2009

56. Match the items in List I with the items in List II.

List I: (Taxable Commodities Transactions)
P. Sale of commodity derivative
Q. Sale of option on commodity derivative
R. Sale of option on commodity derivative, where option is exercised
S. Sale of option in goods, where option is exercised resulting in a settlement otherwise than by actual delivery

List II: (CTT Rates)
1. 0.125 per cent
2. 0.0001 per cent
3. 0.05 per cent
4. 0.01 per cent

(A) P-4, Q-3, R-1, S-2
(B) P-1, Q-4, R-2, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

NODIA

Oct/Nov 2019

57. Consider the following statements regarding items included in "Income":
I. The value of any perquisite or profit in lieu of salary.
II. Any sum received under a Keyman insurance policy including bonus.
III. Any capital gains chargeable under relevant law.
IV. The profits of any business of banking carried on by a co-operative society with its members.
V. Any winnings from lotteries, crossword puzzles, and races.

Which combination of statements is correct?
(A) I, II, III and IV
(B) I, III, IV and V
(C) II, III, IV and V
(D) I, II, III, IV and V

May/June 2012

58. Which of the following pairs INCORRECTLY matches the advance tax installment deadline with its respective cumulative percentage payable for corporate assesses?
(A) By June 15 — 15 per cent
(B) By September 15 — 45 per cent
(C) By December 15 — 65 per cent
(D) By March 15 — 100 per cent

Oct/Nov 2005

59. Consider the following statements regarding exempt incomes:
I. Agricultural income is entirely exempt from tax.
II. Sum received by an individual as a member of an HUF paid out of family income is exempt.
III. Share of a partner in the total income of a separately assessed firm is exempt.
IV. Income by way of interest on moneys standing to credit in a Non-Resident (External) Account is exempt for a permitted individual.

Which combination of statements is correct?
(A) I, II and III
(B) II, III and IV
(C) I, III and IV
(D) I, II, III and IV

18. (C) 3 months to 7 years
Non-compliance with tax deduction at source rules, particularly the failure to deposit deducted tax into the government account, is viewed as a serious offense. Under the Income Tax Act, such default can lead to prosecution. Conviction may result in rigorous imprisonment for a term ranging from three months up to a maximum of seven years, plus a fine.

19. (A) GST came into force in India from July 8th 2017.
The Goods and Services Tax is a destination-based consumption tax implemented to replace multiple indirect taxes. It became effective across India on July 1st, 2017, following the passage of the 101st Constitution Amendment Act. Stating that it came into force on July 8th is incorrect as the national rollout occurred exactly one week prior.

20. (A) The exchange collects CTT from the seller who enters into a taxable commodities transaction.
In the framework of Commodities Transaction Tax, the responsibility for collection lies with the recognized stock exchange. The exchange collects the tax from the seller who enters into a taxable commodity transaction. These collected funds must then be remitted to the credit of the Central Government within the prescribed timelines to ensure full compliance with current financial and tax regulations.

21. (C) The amount is disallowed as an expenditure and added back to the income of the bank.
Tax law requires entities to deduct tax at source before making certain payments, such as those to contractors. If a bank fails to comply, thirty percent of the relevant amount is disallowed as a deductible business expenditure. Consequently, this amount is added back to the bank's total income, effectively increasing its tax liability for that assessment year in a punitive manner.

22. (A) Exceeding Rs. 5,00,000
Banking regulations and tax laws mandate the quoting of a Permanent Account Number for significant cash transactions. While a single-day deposit of fifty thousand rupees requires a PAN, the aggregate limit for cash deposits in a savings account during a single financial year is set at twenty lakh rupees. Exceeding this threshold necessitates PAN disclosure to the financial institution.

23. (D) Credits of input taxes paid at each stage are available in the subsequent stage of value addition.
Cascading tax refers to the "tax on tax" effect where tax is levied at every stage of production without credit for previous taxes. GST eliminates this by allowing businesses to claim input tax credits. This ensures that tax is only levied on the value added at each stage, reducing the overall tax burden on the final consumer.

24. (D) Income by way of dividends received from a foreign company by a resident
Exempt incomes are those specifically excluded from the total taxable income under the Act. Agricultural income and shares received from HUFs or assessed firms are exempt. However, dividends received by a resident from a foreign company are generally taxable. Tax treatment for such dividends is governed by specific provisions and potentially Double Taxation Avoidance Agreements depending on the country.

25. (B) The total income of a non-resident includes income that accrues or arises outside India, even if not received in India.
The scope of total income depends heavily on residential status. For a non-resident, only income that is received, deemed to be received, or accrues in India is taxable. Claiming that their total income includes earnings accruing outside India, even if not received within the country, contradicts the fundamental territorial principles of Indian income tax legislation for non-resident taxpayers.

26. (D) The 12-month period beginning April 1st during which income of the previous year is assessed.
The assessment year is the period of twelve months starting on the first day of April each year. During this time, the income earned by an assessee during the immediately preceding previous year is evaluated, processed, and taxed. It is the subsequent financial year used by the tax authorities to finalize the taxpayer's annual obligations and file returns.

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May/June 2022

13. Consider the following rights of an indemnity holder. When sued, the indemnity holder is entitled to recover from the indemnifier:

I. All damages which he may be compelled to pay in any suit in respect of any matter to which the promise applies.

II. All costs he may be compelled to pay in any suit if he did not contravene the orders of the promisor and acted prudently.

III. All sums paid under the terms of any compromise of any such suit, if the compromise was not contrary to the orders of the promisor.

IV. The right to sue for specific performance if he has incurred absolute liability and the contract covers such liability.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2009

14. A minor borrowed a certain sum and gave a mortgage of certain immoveable property as security. When the minor later sued to set aside the mortgage, what is the legal ruling regarding the refund of the money?

(A) The minor must refund the borrowed money with interest before the mortgage can be set aside.
(B) The minor's guardian was held personally liable to refund the money to the mortgagee.
(C) The agreement made by the minor was void ab initio, and there was no question of refunding the money.
(D) The agreement was deemed voidable, making the minor liable for half the borrowed amount.

May/June 2017

15. Which of the following statements is correct regarding the period of limitation for a continuing guarantee?

(A) The limitation period commences from the exact date the continuing guarantee contract is signed.
(B) The limitation period begins automatically at the end of every financial year.
(C) The period of limitation does not apply to continuing guarantees as they run perpetually.
(D) The limitation period commences from the date when a demand is made on the guarantor for the amount due.

Oct/Nov 2020

16. The following steps represent the formation of a contract:

I. A person signifies willingness to do or not to do something to obtain consent.

II. The person to whom the proposal is made signifies assent.

III. The proposal becomes a promise.

IV. Every promise and set of promises forming the consideration for each other becomes an agreement.

V. The agreement becomes enforceable by law.

Which of the following represents the correct chronological order?

(A) I, II, III, IV, V
(B) I, III, II, V, IV
(C) II, I, IV, III, V
(D) I, IV, II, V, III

May/June 2014

17. Consider the following statements regarding bank guarantees:

I. An unconditional irrevocable bank guarantee generally provides for encashment on demand without demur.

II. Courts readily grant injunctions against the encashment of a bank guarantee even without the establishment of fraud or irretrievable injustice.

Which of the above statement(s) is/are correct?

(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2025

18. The plaintiff, owner of a bar with a liquor license, transferred the management of the bar and the liquor sale to the defendant who had no such license. The defendant subsequently failed to honour the agreement. What is the legal outcome of this scenario?

(A) The agreement is void because transferring the business and sale of liquor to an unlicensed person is forbidden by law.
(B) The agreement remains enforceable because both parties mutually consented

NODIA

first payment of fifteen percent is due by June 15. The second installment reaches forty-five percent by September 15. The third payment is seventy-five percent by December 15, and the final hundred percent must be paid by March 15 to fulfill the obligation.

38. (B) I and III
The legal definition of income includes capital gains chargeable under the Act and profits of insurance businesses conducted by mutual companies. Crucially, the definition also encompasses winnings from lotteries and crossword puzzles, treating them as taxable revenue. Excluding these winnings would be contrary to the established legal framework for determining the gross total income of any assessee.

39. (B) I, II and IV
Entities deducting tax must obtain a Tax Deduction Account Number and deposit the funds within one week of the following month. Failure to deduct tax leads to the disallowance of that expenditure during income computation. Modern regulations require that quarterly TDS returns be filed electronically using computer media, facilitating efficient processing and tracking by the relevant tax departments.

40. (B) Sale of option in goods — 0.05 per cent
Commodity Transaction Tax is levied at specific rates based on the transaction type. The sale of a commodity derivative attracts a rate of 0.01 percent. However, the sale of an option in goods is taxed at 0.05 percent. These rates are specifically determined by the Finance Act to regulate trading activities on recognized commodity exchanges in India.

41. (B) I, II, III and V
GST has been adopted by roughly 160 countries and subsumes various central and state duties like excise and CVD. Import of services involves a foreign supplier and domestic recipient. While certain imports are supply, they are not entirely exempt without consideration in all cases. Previous tax payments on imports are recognized through specific transition rules to prevent double taxation.

42. (A) Only I
Taxpayers who do not possess a Permanent Account Number are permitted to use their Aadhaar number for filing income tax returns. Regarding older citizens, specific provisions allow Super Senior Citizens, who are eighty years or older, the choice to file their returns in paper mode under certain conditions, rather than being strictly mandated to file online every year.

43. (C) II and III
Income computation is a step-by-step process where earnings from each head are calculated separately before being aggregated into the gross total income. Once aggregated, various deductions are allowed to find the taxable income. Modern tax laws also provide assessees with the flexibility to select a new tax regime that trades specific exemptions for lower overall tax rates.

44. (A) Only I
A return can be revised to correct errors before the assessment is completed or before three months prior to the end of the assessment year. However, the benefit of carrying forward business losses is contingent upon filing the loss return within the original due date. Delays in filing such returns typically result in the loss of this carry-forward benefit forever.

NODIA

45. (A) I, II, IV and V
Corporate returns must be e-filed, usually by October 31. Advance tax follows the 'pay as you earn' model, and shortfalls are settled via self-assessment tax. However, a return declaring a loss must be filed within the original due date to carry forward the loss; it cannot be filed up to three years later while still retaining that specific benefit.

46. (B) II, IV, III, I
The process of calculating tax begins with computing income under each individual head separately. These amounts are then aggregated to determine the gross total income. Following this, allowable deductions are subtracted to arrive at the net taxable income. Finally, the tax liability is calculated by applying the relevant tax slabs, surcharges, and the applicable health and education cess.

this case, the rate is 0.125 percent. Unlike the tax on the initial sale of derivatives which is usually paid by the seller, the tax upon the exercise of the option is the responsibility of the purchaser.

67. (C) Section 194C
When a bank or any other specified entity makes a payment to a contractor for carrying out any work, including renovation or construction, it must deduct tax at source. The specific legal provision governing these payments is Section 194C of the Income Tax Act. This ensures that tax is collected incrementally on large-scale commercial contracts and service agreements as per law.

68. (D) Assertion (A) is false, but Reason (R) is true.
While TDS provisions are indeed critical for daily banking operations, the claim that members of co-operative banks face higher TDS rates is incorrect. In fact, many co-operative bank transactions, particularly interest payments to members, are often exempted from TDS or subject to standard rates. Therefore, the assertion about higher rates is false while the reason remains true.

69. (D) It is treated as a supply because it is imported from a related person in the course of business.
Under the IGST Act, the import of services without consideration is normally not a supply. However, an exception is made for imports from related persons or distinct establishments. Since the service is being imported from its parent company in the course of business, the transaction is deemed a supply despite the absence of an actual payment or consideration.

70. (C) She shall quote the PAN of her father, mother, or guardian in the application.
When a minor who does not have a taxable income opens a fixed deposit exceeding the fifty thousand rupee threshold, they must still comply with PAN requirements. The legal procedure allows the minor to quote the Permanent Account Number of their father, mother, or legal guardian in the application form. This ensures that the transaction is properly tracked.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
If a bank fails to deduct tax as required on payments to contractors, thirty percent of that amount is disallowed as a business expense. Consequently, the sum is added back to the bank's income, increasing its tax liability. The reason correctly explains this because the law explicitly mandates this disallowance to ensure compliance with the tax deduction at source framework during assessment.

72. (D) Gross Total Income
After computing income from each of the five heads separately, the results are added together to reach a specific intermediate figure. This aggregate amount, before the application of any deductions allowed under Chapter VIA of the Income Tax Act, is formally termed the Gross Total Income. It represents the taxpayer's total earnings before any specific tax-saving incentives are applied.

73. (B) No tax shall be payable on such import under the IGST Act.
To ensure a smooth transition and prevent double taxation, the IGST Act includes specific provisions for transactions initiated before the GST rollout. If a company had already paid the full tax on an import of services under the previous tax regime before the appointed day, no additional tax is payable under the new Integrated GST framework for that specific import.

74. (B) 0.01 per cent
The sale of a commodity derivative on a recognized stock exchange is a taxable transaction under the Commodity Transaction Tax rules. The current rate prescribed for such a sale is 0.01 percent of the transaction value. This tax is typically paid by the seller, and the exchange is responsible for collecting it and remitting it to the government Treasury.

75. (B) Rs. 4.5 Crores
Corporate taxpayers must meet cumulative advance tax targets by specific dates. By the second deadline on September 15th, forty-five percent of the total estimated tax liability for the year must be paid. For an estimated liability of ten crore rupees, the bank must have deposited a

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57. (D) I, II, III, IV and V
The definition of income is exceptionally broad, encompassing salary perquisites, Keyman insurance proceeds, and capital gains. It also includes banking profits from co-operative societies and winnings from lotteries or races. This comprehensive scope ensures that all forms of revenue, whether regular earnings or windfall gains, are brought within the ambit of the Income Tax Act for assessment.

58. (C) By December 15 — 65 per cent
Advance tax for corporate entities is structured in four distinct stages. While the fifteen percent and forty-five percent marks for June and September are correct, the third installment due by December 15 must be seventy-five percent of the total estimated tax. Listing the required cumulative payment as sixty-five percent for the December deadline is an incorrect representation of current law.

59. (D) I, II, III and IV
Agricultural income, sums from HUF family income, and shares from separately assessed firms are all exempt from income tax. Additionally, interest earned on Non-Resident (External) Accounts is exempt for individuals permitted by the Reserve Bank of India. These exemptions are strategically placed to encourage specific types of savings, and investments, or to recognize specific social structures.

60. (A) Only I
Failure to deposit deducted tax into the government account can result in imprisonment for a term between three months and seven years. However, interest for defaults in tax deduction or payment is typically calculated at monthly rates of one percent or one point five percent. Stating that the annual interest rate is eighteen percent is inaccurate under the Act.

61. (C) Within one year from the end of the assessment year.
If a bank or any assessee discovers an error or omission in their original tax filing, they are permitted to file a revised return. This must be done before the assessment is completed or before three months prior to the end of the relevant assessment year, whichever occurs first. This provision allows for the correction of honest mistakes without immediate penalty.

62. (A) It is considered a supply whether or not it is in the course or furtherance of business.
The import of services for a consideration is always treated as a supply under the GST framework. This classification applies regardless of whether the service is imported in the course or furtherance of business. Therefore, the transaction with the third-party vendor is a taxable supply, ensuring that all imported services with consideration are captured in the tax net.

63. (C) Assertion (A) is true, but Reason (R) is false.
It is true that importing services from a distinct person without consideration is a supply if done for business. However, the reason is false because the law does not always require the business test for imports. Specifically, the import of services for consideration is considered a supply even if it is not in the course or furtherance of business.

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64. (D) None of the above; PAN is mandatory for all these transactions.
Permanent Account Number disclosure is mandatory for several banking activities involving significant sums. Purchasing a fixed deposit over fifty thousand rupees, making daily cash deposits exceeding fifty thousand rupees, and buying foreign currency with cash over fifty thousand rupees all fall within the regulatory thresholds. Consequently, quoting a PAN is required for every transaction mentioned in the scenario to ensure compliance.

65. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Both statements are factually correct. Residents are taxed on global income, and non-residents are only taxed on income with an Indian source. However, the taxation rules for non-residents do not explain why residents are taxed globally. These are two separate rules defining the scope of total income based on different residential statuses as per the current Income Tax Act.

66. (D) 0.125 per cent payable by the purchaser
When an option on a commodity derivative is exercised, a specific rate of Commodities Transaction Tax is applied to the transaction. In

47. (A) I, II and III
Stock exchanges collect CTT from sellers and must remit it to the government by the seventh day of the next month. The tax rate for selling commodity derivatives is currently 0.01 percent. An assessee who is responsible for collecting the tax but fails to do so remains financially liable to pay the amount to the government Treasury immediately.

48. (B) Section 194J — Payment of professional fees
Section 194J is the specific provision of the Income Tax Act that mandates the deduction of tax at source on payments made for professional or technical services. Other sections like 194C relate to contractors, 194H to commission, and 192 to salary. Ensuring the correct section is used is vital for regulatory compliance and accurate tax reporting for all entities.

49. (A) I and II
GST provides significant advantages by removing the cascading effect of taxes, which simplifies business operations and reduces costs. For consumers, it creates a transparent tax structure where the tax paid is directly proportionate to the value of the goods or services. Contrary to reducing efficiency, GST aims to improve revenue efficiency for both Central and State governments through technology.

50. (B) Only II
Import of services is generally considered a supply when made for consideration. However, without consideration, it is only treated as a supply if it occurs between related persons or distinct establishments in the course of business. Therefore, it is incorrect to suggest that all imports without consideration are universally classified as supply under the current Integrated GST framework and schedules.

51. (A) I, II, IV and V
Introduced in 2013, CTT applies to transactions on recognized exchanges. The rate for options in goods is 0.05 percent, and failure to collect the tax makes the assessee liable for payment. However, the definition of commodity derivatives excludes ready delivery contracts, as these involve the actual physical transfer of goods rather than just price-based financial settlements in the market.

52. (A) P-4, Q-1, R-2, S-3
Corporate taxpayers follow a specific schedule for advance tax. By June 15, fifteen percent of the total tax is due. This increases to forty-five percent by September 15 and seventy-five percent by December 15. The full hundred percent of the estimated tax liability must be deposited with the government by the final deadline of March 15 each year.

53. (D) Cash deposit in a Current Account in a Financial Year — Up to Rs. 10,00,000
PAN quoting is required for various transactions exceeding specific limits, such as term deposits over fifty thousand rupees. For current accounts, the threshold for quoting PAN is cash deposits or withdrawals aggregating more than twenty lakh rupees in a financial year. Suggesting a limit of ten lakh rupees for a current account is incorrect under present banking and tax regulations.

54. (B) I, III and IV
PAN is required for opening fixed deposits over fifty thousand rupees, depositing fifty thousand rupees in cash in one day, or purchasing foreign currency with cash over fifty thousand rupees. If a minor opens an account and does not have a PAN, they are specifically allowed to quote the Permanent Account Number of their parent or legal guardian.

55. (A) I and II
For non-residents, the Indian tax net only captures income that has a direct territorial connection to the country. This includes income received or deemed to be received within India, as well as income that accrues or arises here. Income earned and received entirely outside India is excluded from the total income of a non-resident for Indian tax purposes.

56. (A) P-4, Q-3, R-1, S-2
Sale of a commodity derivative is taxed at 0.01 percent. The sale of an option on a commodity derivative is 0.05 percent. If such an option is exercised, the rate becomes 0.125 percent. For an option in goods exercised with a cash settlement, a very low rate of 0.0001 percent is applied to the overall transaction value.

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minimum cumulative amount of four point five crore rupees by that date.

76. (D) The amount is disallowed as an expenditure and added back to the bank's income.
Failure to deduct tax at source on a payment to a contractor has direct financial consequences during the assessment of the payer's income. Thirty percent of the specific amount paid without tax deduction, such as the five lakh rupees to Beta Corp, is disallowed as a business expense. This disallowed amount is then added back to the bank's total taxable income for that year.

77. (C) By September 7th
Recognized stock exchanges that collect Commodities Transaction Tax are subject to strict remittance deadlines. Tax collected during any given calendar month must be paid to the credit of the Central Government within seven days of the following month. Therefore, for all transactions occurring in August, the exchange must ensure the CTT is paid to the government by September 7th.

78. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Filing a return of income after the due date results in the loss of the benefit to carry forward business losses to future years. Separately, the law allows for the revision of returns within a year of the assessment year's end. While both statements are true, the ability to revise a return does not explain why loss carry-forward is denied.

79. (B) The bank must deduct tax as crediting the payee's account is deemed to be a payment.
The obligation to deduct tax at source is triggered either when the amount is credited to the payee's account in the payer's books or when the actual payment is made, whichever occurs earlier. Therefore, when the bank credits the professional fees to the advisor's account, it is legally deemed a payment, necessitating an immediate tax deduction by the bank.

80. (B) Up to Rs. 5,00,000
To monitor large cash movements, banks are required to obtain the Permanent Account Number of customers who exceed certain deposit thresholds. For cash deposits into a savings account, the trigger for PAN requirement is an aggregate amount exceeding twenty lakh rupees within a single financial year. This rule helps tax authorities identify and track significant cash flows within the Indian economy.

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CHAPTER 25
Contract

May/June 2013

1. An agreement without consideration is generally void. Consider the following circumstances:
I. It is made out of natural love and affection.
II. It is between parties standing in near relation to each other.
III. It is expressed in writing and registered.
In which of the above circumstances is an agreement valid even without consideration?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2016

2. Which of the following statements regarding implied indemnity is incorrect?
(A) A contract of indemnity may be express or implied depending upon the circumstances of the case.
(B) If an act done by one person at the instance of another turns out to be injurious to a third person, the person doing it is entitled to an indemnity from the requester.
(C) Implied indemnity is explicitly and strictly governed only by rules that exclude all non-contractual scenarios.
(D) The principle of implied indemnity is a recognized legal concept applied where one party acts on the request of another.

May/June 2009

3. A sends a letter asking B for a quotation of goods. B sends the quotation with the requested prices. A then places an order based on the quoted prices. What is the legal nature of B sending the quotation?
(A) It represents a direct and binding proposal to sell the specific goods.
(B) It serves as a final acceptance of A's earlier offer to buy the goods.
(C) It is an invitation to offer, and A placing the order constitutes the actual proposal.
(D) It is a preliminary agreement that becomes immediately enforceable by law.

Oct/Nov 2021

4. A sells and delivers goods to B. C afterwards requests A to forbear to sue B for the debt for a year and promises that if he does so, C will pay for them in case of default by B. A agrees to forbear as requested. What is the legal outcome regarding consideration in this scenario?
(A) The contract is void because past acts cannot serve as consideration.
(B) The contract is invalid as C receives no direct monetary benefit from A.
(C) The forbearance by A is a sufficient consideration for C's promise, making it a valid contract of guarantee.
(D) The contract is voidable at the option of B since B did not actively participate in C's promise.

May/June 2025

5. Every person is competent to contract EXCEPT a person who:
(A) Is of the age of majority according to the law to which he is subject
(B) Is disqualified from contracting by any law to which he is subject
(C) Is of sound mind at the time of making the contract
(D) Is a patient in a lunatic asylum who is at intervals of sound mind, contracting during those intervals

Oct/Nov 2006

6. Mr. A gives a continuing guarantee to shopkeeper B for any goods his wife Mrs. A may purchase, up to Rs. 20,000. Later, Mr. A and Mrs. A separate, and Mr. A notifies shopkeeper B that the guarantee is revoked. What is Mr. A's liability for purchases made by Mrs. A after the notice of revocation?
(A) Mr. A remains liable up to Rs. 20,000 until the end of the calendar year.
(B) Mr. A is not liable for any debts incurred by

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Mrs. A after the revocation point.
(C) Mr. A is liable for all future purchases because a continuing guarantee cannot be unilaterally revoked.
(D) Mr. A is liable for 50% of the debts incurred after revocation due to marital obligations.

May/June 2018

7. What is the fundamental meaning of a contract?
(A) A proposal made by one party and accepted by another with the intent to create a social obligation.
(B) An agreement enforceable by law where rights and obligations are enforceable in a court of law.
(C) Any promise made between two competent parties intended for a purely spiritual or moral objective.
(D) A written document signed by two parties outlining their mutual promises and personal interests.

Oct/Nov 2011

8. Match the terms in List I with their meanings in List II.
List I: Terms
P. Promisor
Q. Promisee
R. Void Agreement
S. Voidable Contract
List II: Meanings
1. An agreement not enforceable by law
2. An agreement enforceable by law at the option of one or more parties thereto, but not at the option of the other
3. The person making the proposal
4. The person accepting the proposal
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-4, S-3
(D) P-2, Q-1, R-3, S-4

May/June 2005

9. In a transaction of guarantee, what are the respective terms used for the person who gives the guarantee, the person in respect of whose default the guarantee is given, and the person to whom the guarantee is given?
(A) Promisor, Promisee, Guarantor
(B) Surety, Principal Debtor, Creditor/ Beneficiary
(C) Bailor, Bailee, Creditor
(D) Indemnifier, Indemnity Holder, Principal Debtor

Oct/Nov 2024

10. Consent to an agreement is said to be free when it is not caused by certain factors. Consider the following:
I. Coercion
II. Undue influence
III. Fraud or Misrepresentation
IV. Mistake
Which of the above factors must be absent for consent to be considered free?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

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May/June 2019

11. A gives a guarantee to C for goods supplied by C to B. B afterwards contracts with his creditors, including C, to assign them certain properties in consideration of their releasing B from all demands. What is the status of A's surety-ship to C?
(A) A's liability increases to cover the shortfall of the assigned properties.
(B) A remains fully liable to C because the original guarantee contract is unaffected by B's assignment.
(C) A is liable only if he expressly ratified the property assignment agreement.
(D) A is completely discharged from his surety-ship to C because B is no longer a debtor to C.

Oct/Nov 2014

12. Which of the following statements regarding the form of an agreement is correct?
(A) All valid contracts must strictly be executed in writing and registered before a court of law.
(B) Oral agreements are voidable at the option of either party if they involve movable property.
(C) An agreement can be oral, except where certain laws require agreements to be in writing, registered, and/or attested.
(D) Statutory requirements for written contracts apply only to the sale of immovable property and not to mortgages or leases.

27. (A) Issue a notice and complete the assessment under the prescribed legal provisions.
When an Assessing Officer determines that a return needs closer examination to ensure the correctness of the income declared, a scrutiny assessment is initiated. The officer must first issue a formal notice to the assessee under section 143(2). Following this, the assessment is completed based on evidence and explanations provided by the taxpayer during the audit process.

28. (A) Advance tax
The 'pay as you earn' principle is a system where taxpayers contribute to their annual tax liability throughout the year as they earn income. This is primarily achieved through advance tax installments. If an assessee's estimated tax liability exceeds ten thousand rupees, they must pay tax in quarterly installments before the financial year ends to avoid interest charges.

29. (C) Income from foreign exchange fluctuations
Under Indian tax law, all taxable income is classified into five specific heads: Salaries, Income from House Property, Profits and Gains of Business or Profession, Capital Gains, and Income from Other Sources. While foreign exchange fluctuations may affect business profits or other gains, they do not constitute a separate, distinct head of income themselves in any calculation.

30. (D) A partner's share in a firm's income is exempt if the firm is separately assessed as such.
A partnership firm is treated as a separate taxable entity. Once the firm pays tax on its total income, the share of profit distributed to individual partners is exempt from tax in their hands under section 10(2A). This prevents double taxation of the same income, first at the firm level and then at the individual partner level.

31. (B) P-1, Q-2, R-3, S-4
Central GST is levied by the Centre on intra-state supplies, while State GST is levied by States for similar transactions. Integrated GST applies to inter-state supplies and is administered by the Centre. Additional Duties of Customs, often referred to as CVD, were among the various central taxes subsumed when the unified GST regime was implemented nationally.

32. (A) I and II
Commodity Transaction Tax regulations define the Board as the Central Board of Direct Taxes. The Appellate Tribunal refers to the body established under the Income-tax Act. While CTT applies to various non-agricultural derivatives, agricultural commodities are generally exempt from this tax to protect the interests of the farming sector and maintain stability in essential food prices.

33. (A) P-3, Q-4, R-2, S-1
Section 193 governs the deduction of tax on interest from securities. Section 194C applies to payments made to contractors or sub-contractors for work carried out. Section 194H covers tax deduction on brokerage and commission payments. Section 194I is the relevant provision for tax deduction on income derived from the payment of rent for land or buildings.

34. (B) I, II and IV
The Indian GST follows a dual model where both the Centre and States simultaneously levy taxes on a common base. Central GST is applied to intra-state supplies, while Integrated GST is levied and administered by the Centre on inter-state transactions. State GST is levied by States on intra-state supplies, ensuring revenue sharing between both government tiers.

35. (A) P-2, Q-1, R-4, S-3
Form 60 is used by individuals without a PAN, such as parents opening accounts for minors. Form 49B is the application for obtaining a Tax Deduction Account Number. The Income Tax Return is the prescribed form for reporting income for corporate assessees. TAN is the mandatory identification number for any person or entity deducting tax at source.

36. (B) I, II, III and V
TDS on interest and rent is covered by sections 194A and 194I. Deducted tax must be deposited within one week after the month ends. If a lower rate is specified in a DTAA, that rate is applied for TDS. However, salaries are typically governed by section 192, and the deposit timeline is strictly enforced for all entities.

37. (A) II, IV, III, I
Corporate assessees must pay advance tax in four installments throughout the financial year. The

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to the operational transfer of the licensed premises.

(C) The agreement is voidable at the option of the plaintiff since he holds the original government-issued liquor license.

(D) The court will validate the agreement provided the defendant applies for a new license within a reasonable and fixed time.

May/June 2010

19. A broker in possession of a government promissory note with a forged endorsement endorsed it to a bank. The bank applied for and got a renewed promissory note. The true owner sued the government for conversion, and the government in turn sued the bank. Under which legal principle is the bank liable to the government?

(A) Express contract of guarantee

(B) Implied indemnity

(C) Voidable contract due to coercion

(D) Contract of bailment

Oct/Nov 2008

20. Which of the following is the most appropriate definition of an agreement?

(A) Every promise and every set of promises, forming the consideration for each other.

(B) An arrangement where both parties sign a document in the presence of a judicial magistrate.

(C) A legal mechanism that dictates detailed remedies against a party failing to perform an act.

(D) A proposal made without qualification that is immediately communicated to the offeree.

May/June 2024

21. A surety is NOT discharged from his liability in which of the following circumstances?

(A) Any variance made in the terms of the contract between the principal debtor and creditor without the surety's consent.

(B) Any contract between the creditor and the principal debtor by which the principal debtor is released.

(C) Mere forbearance on the part of the creditor to sue the principal debtor, unless the parties had agreed for such discharge.

(D) An act or omission of the creditor, the legal consequence of which is the discharge of the principal debtor.

Oct/Nov 2013

22. Consider the following statements regarding consideration:

I. Consideration implies 'something in return' and must be lawful for both parties to enter into an agreement.

II. A promise to compensate a person who has already done something voluntarily for the promisor is not enforceable by law.

Which of the above statement(s) is/are correct?

(A) I only

(B) II only

(C) Both I and II

(D) Neither I nor II

May/June 2006

23. Identify the correct pair representing the relationship between the cause and the resulting status of the agreement.

(A) Agreement caused by undue influence — Results in an immediately void agreement.

(B) Agreement where the meaning is uncertain — Results in a valid and voidable contract.

(C) Agreement expressly declared void by law — Valid contract if formally registered.

(D) Agreement caused by coercion — Voidable contract at the option of the party whose consent was so caused.

Oct/Nov 2017

24. A Contract of Guarantee inherently comprises how many separate agreements among the parties involved?

(A) One single agreement involving all three parties jointly.

(B) Two separate agreements: one express between the surety and creditor, and one implied between the debtor and surety.

(C) Four separate agreements including a mandatory collateral deposit agreement.

(D) Three separate agreements: between creditor and debtor, surety and creditor, and an implied contract between debtor and surety.

May/June 2011

25. How is a Contract of Indemnity defined?

(A) A contract where two parties promise to exchange goods of equal value to prevent any future financial losses.

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Oct/Nov 2015

38. Identify the correct pair representing the outcome when a bailee mixes the goods of the bailor with his own goods WITHOUT the bailor's consent.

(A) Goods can be separated — The bailor loses title to the goods entirely.

(B) Goods cannot be separated — The bailor and bailee share the mixture proportionately.

(C) Goods cannot be separated — The bailee is entitled to charge the bailor for storage costs.

(D) Goods can be separated — The bailee bears the expense of separation and any arising damage.

May/June 2016

39. A leaves a cow in the custody of B. During the bailment, the cow delivers a calf. In the absence of a contract to the contrary, what is the most appropriate action B must take?

(A) B is bound to return only the cow to A and may retain the calf as a fee for custody.

(B) B may sell the calf to recover the feeding expenses of the cow.

(C) B must surrender the cow to A but can claim ownership of the calf after giving one month's notice.

(D) B is bound to deliver both the calf and the cow to A.

Oct/Nov 2005

40. How is a Contract of Bailment formally defined?

(A) The transfer of ownership of movable goods from one person to another for an indefinite and unspecified period.

(B) The deposit of money into a bank account to be credited and withdrawn at the total discretion of the depositor.

(C) The simultaneous and final exchange of goods for money between a willing buyer and a professional seller.

(D) The delivery of goods for some purpose, to be returned or disposed of according to directions when the purpose is accomplished.

May/June 2011

41. Regarding the effectiveness of a pledge, which of the following statements is correct?

(A) A pledge is completely vitiated if physical custody of the goods is momentarily returned to the pledger.

(B) Allowing the custody of pledged movable property to remain with the debtor for a special purpose does not vitiate the effectiveness of the pledge.

(C) Pledged goods cannot be legally sold by the pledger under any circumstances, rendering any such sale strictly void.

(D) A bank loses its priority of charge over the pledge the moment the pledger utilizes the equipment for business.

Oct/Nov 2023

42. A, B, and C are sureties to D for the sum of Rs. 1,000 lent to E. The contract explicitly states that A is responsible to the extent of one-quarter, B one-quarter, and C one-half. E makes a default in payment. As between the sureties, what is their liability?

(A) A pays Rs. 333.33, B pays Rs. 333.33, C pays Rs. 333.33.

(B) A pays Rs. 250, B pays Rs. 250, C pays Rs. 500.

(C) A pays Rs. 500, B pays Rs. 250, C pays Rs. 250.

(D) A pays nothing, B pays Rs. 500, C pays Rs. 500.

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May/June 2021

43. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): If the bailor has no title to the goods, and the bailee in good faith delivers them back according to the bailor's directions, the bailee is not responsible to the true owner.

Reason (R): The essence of bailment is possession, and the bailee is legally protected when discharging his contractual duty in good faith.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2007

31. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): When the information of a guarantor's death is received, banks prefer to immediately break the running accounts of a borrower.

Reason (R): The death of the surety operates, in the absence of any contract to the contrary, as a revocation of a continuing guarantee for future transactions.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2022

32. A delivers a rough diamond to B, a jeweller, to be cut and polished. After B completes the work, A refuses to pay immediately. What right does B exercise by holding onto the diamond until paid?

(A) General Lien
(B) Bailee's Particular Lien
(C) Right of Subrogation
(D) Right of Indemnity

May/June 2020

33. Identify the INCORRECT pair regarding rights and liabilities in a guarantee.

(A) Creditor loses a security he had against the principal debtor — Surety is discharged to the extent of the value of the security.
(B) Guarantee obtained by keeping silent as to a material circumstance — Guarantee is valid provided no active fraud occurred.
(C) Surety pays the debt — Surety occupies the place of the original creditor.
(D) Guarantee obtained by misrepresentation by creditor — Guarantee is invalid.

Oct/Nov 2010

34. Which of the following is NOT an essential ingredient of a valid pledge?

(A) A contract in relation to an identified chattel to be delivered as security.
(B) Actual or constructive delivery of possession of the identified chattel.
(C) The pawnee acquiring only a special property in the pledge while the general property remains with the pawnor.
(D) Absolute transfer of general property and ownership to the pawnee.

May/June 2008

35. Which of the following statements about bailment is INCORRECT?

(A) When goods are delivered by mistake, a contract of bailment is nonetheless instantly created by law.
(B) A servant obtaining goods from his master to deliver to a third party is not a bailee.
(C) Delivery of goods in bailment may be actual, constructive, or symbolic.
(D) The obligation of a bailee arises only from a contract of bailment, though formal agreement is sometimes unnecessary.

Oct/Nov 2018

36. A takes a loan of Rs. 20,000 from B and pledges his car as security. A defaults. B chooses to sell the car after giving proper notice. B sells the car but receives only Rs. 15,000. What is the legal consequence?

(A) A is still liable to pay the balance of Rs. 5,000 to B.
(B) B must accept the loss and the debt is fully discharged.
(C) B loses the right to sue A because he opted to sell the asset instead.
(D) The sale is voided, and B must return the car to A.

May/June 2012

37. Consider the following scenarios regarding a contract of guarantee:

I. The creditor abstains from suing the principal debtor within the period of limitation.
II. The principal debtor is discharged by the operation of law.
III. The creditor releases one of the co-sureties.

In which of the above scenarios does the surety remain legally bound and NOT discharged?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

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(B) A contract by which one party promises to save the other from loss caused by the promisor or any other person.
(C) A contract to perform the promise, or discharge the liability, of a third person in case of his specific default.
(D) A contract where goods are delivered for some purpose, to be returned when the purpose is accomplished or fulfilled.

Oct/Nov 2012

26. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Agreements of a social nature do not result in legal relations and are not considered contracts.
Reason (R): The intention of the parties entering into an agreement must be to create a legal relationship between them for a contract to exist.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2015

27. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The liability of the surety is co-extensive with that of the principal debtor unless it is otherwise provided by the contract.
Reason (R): A surety has the inherent right to restrain an action against him by the creditor on the ground that the principal debtor is insolvent and relief may be sought elsewhere.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2019

28. A agrees with B to bring back to life B's dead infant son for a specified sum of money. What is the legal status of this agreement?
(A) It is a void agreement because it is impossible of performance.
(B) It is a voidable contract at the option of B.
(C) It is a valid contract if B pays the consideration in advance.
(D) It is an enforceable agreement if A uses scientifically unproven but accepted traditional methods.

May/June 2023

29. Regarding the commencement of an indemnifier's liability, what is the most appropriate legal stance?
(A) The indemnifier is liable only after the indemnity holder has actually paid off the loss.
(B) The indemnifier becomes liable the moment the contract of indemnity is signed, regardless of any actual loss.
(C) If the indemnified has incurred absolute liability, he may call upon the indemnifier to pay it off before actual loss.
(D) The indemnifier's liability commences only when a court decree is formally issued against the indemnity holder.

Oct/Nov 2007

30. Consider the following statements regarding the relationship between a bank and a customer under various transactions:
I. When money is deposited in a bank, the relationship is that of debtor and creditor.
II. When a customer borrows money from the bank, the relationship becomes creditor and debtor.
III. When a bank accepts valuables for safe custody, the bank becomes a bailee and the customer a bailor.
IV. When a bank collects cheques on behalf of the customer, it acts as an agent.
V. When a bank hires out a safe deposit locker, the relationship is that of lessor and lessee.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

NODIA

Oct/Nov 2006

44. A lends a horse to B, knowing it to be vicious. A does not disclose this fact to B. The horse runs away, and B is thrown and injured. What is the legal consequence?
(A) B is liable for failing to inspect the horse properly before riding.
(B) A is not responsible since B accepted the horse voluntarily.
(C) The contract of bailment is nullified, and no party can claim damages.
(D) A is responsible to B for the damage sustained because a bailor must disclose known faults.

May/June 2025

45. If the pawnor makes a default in payment of the debt, which of the following rights can the pawnee exercise?
I. Bring a suit against the pawnor and retain the pledged goods as security.
II. Sell the pledged goods immediately without any notice to the pawnor.
III. Sell the pledged goods after giving notice of the sale to the pawnor.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2014

46. The following steps depict the process of subrogation in a contract of guarantee:
I. The principal debtor fails to perform his duty or pay the debt.
II. The surety performs the promise or discharges the liability.
III. The surety steps into the shoes of the creditor.
IV. The surety recovers his money from the principal debtor.
Which of the following represents the correct chronological order?
(A) I, III, II, IV
(B) I, II, III, IV
(C) II, I, IV, III
(D) I, IV, II, III

May/June 2019

47. What is the bailment of goods as security for payment of a debt or performance of a promise called?
(A) Guarantee
(B) Pledge
(C) Indemnity
(D) Subrogation

Oct/Nov 2024

48. Match the concepts in List I with their characteristics in List II.
List I: Concepts
P. Continuing Guarantee
Q. Subrogation
R. Co-sureties
S. Principal Debtor
List II: Characteristics
1. Liable to pay equally as far as the limits of their respective obligations permit
2. A guarantee which extends to a series of transactions
3. The person in respect of whose default the guarantee is given
4. The right of the surety to recover money from the debtor after settlement with the creditor
(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-4, R-1, S-3
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-3, R-2, S-1

May/June 2009

49. Which of the following entities does NOT implicitly enjoy the right to retain goods bailed to them as a security for a general balance of account (General Lien) in the absence of an express contract?
(A) Tailors making a coat from bailed cloth
(B) Bankers holding deposits or financial securities
(C) Factors acting as financiers purchasing receivables
(D) Policy brokers managing insurance documentation

Oct/Nov 2021

50. A hires a horse from B to go to a specific destination. A rides with due care but travels to a different location instead. The horse accidentally falls and is injured. Who is liable for the injury?

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List II: Descriptions
1. Authority to bind the principal by any legal act he/she does
2. Authorized to do all acts in respect of a particular line of business
3. Appointed to perform a single particular act or transaction
4. Includes Factor, Auctioneer, Broker, and Del Credere Agent

(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-2, R-1, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-1, S-3

Oct/Nov 2009

62. Match the section numbers in List I with their corresponding legal provisions in List II.
List I: Section Numbers
P. Section 182
Q. Section 185
R. Section 221
S. Section 222
List II: Legal Provisions
1. No consideration is necessary to create an agency
2. Definition of Agent and Principal
3. Indemnification of agent against consequences of lawful acts
4. Agent's right to retain goods, papers, and property

(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-3, R-2, S-1

May/June 2017

63. Which of the following statements regarding the rules of agency is INCORRECT?
(A) Whatever a person can do personally can also be achieved through an agent, with no exceptions whatsoever.
(B) The main utility of an agent is to act as a connecting link bringing the principal into binding contractual relationships with third persons.
(C) A contract of agency is created when right is given to a person to represent the principal in dealing with third persons.
(D) He who does an act through another does it himself, meaning the acts of an agent are acts of the principal.

Oct/Nov 2020

64. Identify the INCORRECT pair regarding the rights of an agent.
(A) Agent is entitled to immediate payment of remuneration before the completion of the act.
(B) Retention of money — Agent may retain sums for advances made or expenses incurred in conducting the agency business.
(C) Retention of goods — Agent may retain goods or papers belonging to the principal until amounts due to him are paid.
(D) Compensation for injury — Agent must be compensated for injuries sustained due to neglect or want of skill on the part of the principal.

May/June 2018

65. A pledges his goods with B for Rs. 5,000. B, under certain circumstances, further pledges the same movable property to C for Rs. 8,000. What is A's entitlement in this situation?
(A) A loses all rights to the goods since B has re-pledged them to a third party.
(B) A will still be entitled to the goods on paying the original amount of Rs. 5,000 for which he himself pledged them.
(C) A must pay the full Rs. 8,000 to C to recover his goods.
(D) The second pledge is completely void, and A can recover the goods from C without paying anything.

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Oct/Nov 2007

66. What is the most appropriate consequence if an agent neglects to follow the directions of the principal, causing damage to the principal?
(A) The principal's only recourse is to immediately terminate the agency contract.
(B) The principal has the right to recover damages from the agent for the loss caused.
(C) The agent is protected under the doctrine of good faith and is immune from liability.
(D) The dispute must obligatorily be settled by arbitration rather than claiming damages.

May/June 2023

67. Consider the following duties of an agent toward the principal:
I. To carry out the work rationally and with care, skill, and diligence.
II. To render proper accounts to the principal

(A) The surety is entitled to recover from the principal debtor whatever sum he has rightfully paid under the guarantee.
(B) The principal debtor implicitly promises to indemnify the surety only for sums wrongfully paid under the guarantee.
(C) The implied promise strictly requires the surety to obtain a court order before demanding indemnification.
(D) The implied promise binds the principal debtor to pay the creditor directly, bypassing the surety entirely.

May/June 2010

57. What constitutes the major distinction between a pledge and a lien?
(A) In a pledge, there is a power to sell on default, whereas in a lien, the person only has the right to retain the subject matter until paid.
(B) In a lien, there is an inherent power to sell on default, whereas in a pledge, there is no legal right of sale whatsoever.
(C) A lien transfers ownership and title interests, whereas a pledge only transfers the temporary and specific possessory interests.
(D) A pledge disappears the moment physical possession is lost, whereas a lien remains active without any physical possession.

Oct/Nov 2008

58. Which of the following best explains the distinction between bailment and a bank deposit?
(A) In bailment, specific goods are delivered and must be returned, whereas money deposited in a bank makes the bank a debtor, not a bailee.
(B) Bailment applies exclusively to immovable properties, whereas bank deposits strictly involve the transfer of liquid cash and currency.
(C) Bailment inherently involves the final transfer of ownership, whereas a bank deposit involves a temporary transfer of possessory interests.
(D) Bailment requires a written and registered contract, whereas bank deposits can be executed through oral or informal electronic commands.

May/June 2014

59. Match the types of delivery/liens in List I with their descriptions in List II.
List I: Types
P. Actual Delivery
Q. Constructive Delivery
R. General Lien
S. Particular Lien
List II: Descriptions
1. Retaining goods until remuneration for specific labour or skill is paid
2. Retaining goods as security for a general balance of account
3. Goods are physically handed over to the bailee
4. Endorsement and delivery of a Railway Receipt
(A) P-3, Q-4, R-2, S-1
(B) P-4, Q-3, R-1, S-2
(C) P-1, Q-2, R-3, S-4
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2025

60. Consider the following statements regarding the duties and liabilities of a bailee:
I. A bailee is bound to take care of the goods as he would his own goods.
II. If the bailee takes standard care, he is not responsible for the destruction of the bailed goods in the absence of a special contract.
III. The bailee is not liable to compensate if he uses the goods in a manner inconsistent with the conditions of the bailment.
IV. A contract of bailment is voidable at the option of the bailor if the bailee does an act inconsistent with the bailment conditions.
V. The bailee must return the goods as soon as the purpose of bailment is accomplished.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2022

61. Match the classification of agents in List I with their descriptions in List II.
List I: Agents
P. Special Agent
Q. General Agent
R. Universal Agent
S. Mercantile Agent

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Oct/Nov 2012

74. Consider the following duties of a Principal toward an Agent:

I. To indemnify the agent against the consequences of all lawful acts.

II. To indemnify the agent against the consequences of all acts done in good faith.

III. To indemnify the agent for any injury caused by the principal's neglect.

IV. To allow the agent to make secret profits to boost morale.

Which of the above statement(s) is/are correct?

(A) I, II, and III only

(B) II, III, and IV only

(C) I, III, and IV only

(D) I, II, III, and IV

May/June 2008

75. A, being B's agent with authority to receive money on his behalf, receives a sum of money from C due to B. What is the legal effect of this transaction on C?

(A) C is completely discharged of his obligation to pay the sum in question to B.

(B) C is only partially discharged until the money physically reaches B.

(C) C remains liable if A misappropriates the money.

(D) C must receive a written confirmation from B to validate the discharge.

Oct/Nov 2018

76. Consider the following statements regarding the duties of an agent:

I. To protect and preserve the interest of the principal in case of his/her death or insolvency.

II. Not to use information acquired in the course of agency against the principal.

III. Not to set up his own title to the goods received from the principal.

IV. To depute a sub-agent for tasks he has personally undertaken, without restriction.

V. Not to put himself in a position where interest and duty conflict.

Which of the above statement(s) is/are correct?

(A) I, II, III, and V only

(B) I, III, IV, and V only

(C) II, III, IV, and V only

(D) I, II, III, IV, and V

May/June 2012

77. An agent is NOT permitted to do which of the following acts during the course of the agency?

(A) Retain out of sums received, the expenses properly incurred in conducting business.

(B) Sell goods consigned to him for sale to a third party as authorized.

(C) Delegate his/her authority and depute another person to do what he has himself undertaken to do.

(D) Communicate with the principal to seek instructions during a period of professional difficulty.

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Oct/Nov 2015

78. Consider the following characteristics for forming a valid contract of agency:

I. The principal must be of the age of majority and of sound mind.

II. The agent must necessarily be competent to contract to assume personal liability.

III. No consideration is necessary to create an agency.

IV. The authority given to the agent can only be express and in written format.

Which of the above statement(s) is/are correct?

(A) I and III only

(B) I, II, and III only

(C) II and IV only

(D) I, III, and IV only

May/June 2016

79. A directs B, his agent, to buy a certain house for him. B falsely tells A the house cannot be bought, and instead buys the house for himself on his own account. What remedy is available to A?

(A) A can only use B for breach of trust but cannot claim the house.

(B) A can compel B to sell the house to A at the price B gave for it.

(C) A has no remedy because B bought the house with his own funds.

(D) A must pay B an additional 10% premium to acquire the house from B.

Oct/Nov 2013

80. Which of the following actions is a principal bound to perform toward the agent?

(A) Indemnify the agent against the consequences of all lawful acts done by him in exercise of the authority conferred.

on demand.
III. To make undisclosed secret profit from the agency for personal benefit.
IV. To communicate with the principal when facing difficulty and seek instructions.
V. To pay the principal all sums received for him after deducting appropriate remuneration and expenses.

Which of the above statement(s) is/are correct?
(A) I, II, IV, and V only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2022

68. Consider the following statements about an agent's competency:
I. No person who is not of the age of majority and of sound mind can become an agent, so as to be responsible to his principal according to the law.
II. Even a Company is permitted to act as an agent.

Which of the above statement(s) is/are correct?
(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

May/June 2020

69. Consider the following statements regarding the delegation of authority by an agent:
I. An agent generally cannot delegate his/her authority to do what he has himself undertaken to do.
II. A sub-agent can be appointed by the agent strictly in accordance with the law.

Which of the above statement(s) is/are correct?
(A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2010

70. In the absence of a special contract, an agent may detain moneys received by him on account of goods sold, even though:
I. The whole of the goods consigned to him for sale may not have been sold.
II. The sale may not be actually complete.
III. The principal expressly orders him to remit all gross funds immediately.

Which of the above conditions are legally recognized for the agent detaining moneys?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2015

71. A person employed to do any act for another, or to represent another in dealings with third persons, is defined as a(n):
(A) Subrogator
(B) Bailor
(C) Indemnifier
(D) Agent

Oct/Nov 2019

72. Which of the following statements regarding types of agents is INCORRECT?
(A) If the principal wants to restrict the authority of a general agent, he must put persons dealing with the agent on notice regarding the curtailment.
(B) A Universal Agent's authority to act for the principal is virtually unlimited, provided the acts are legal.
(C) The relationship between a banker and a customer is basically that of a debtor and creditor for most transactions, rather than strictly agency.
(D) Solicitors, attorneys, and insurance agents are broadly classified as Mercantile Agents.

May/June 2007

73. Based on the principles of agency, which of the following is the most accurate summary of the agent's entitlement to compensation?
(A) The agent can claim compensation for any injury sustained, regardless of whose fault it was originally.
(B) The agent has to be compensated for injuries sustained by him due to neglect or want of skill on the part of the principal.
(C) The agent is entitled to compensation only if the third party files a formal lawsuit against the principal.
(D) The agent is solely responsible for his own safety and cannot claim compensation from the principal under any circumstance.

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(A) B is liable to bear the loss because the bailee rode the horse with due care throughout.
(B) Neither party is liable as the injury was a purely accidental event occurring outside the contract.
(C) A is liable to make compensation to B because he used the horse contrary to the conditions of the bailment.
(D) The liability is split equally between A and B under a general principle of implied indemnity.

May/June 2013

51. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The pawnee can retain the goods pledged for the payment of the debt and also for all necessary expenses incurred in preserving the goods.
Reason (R): The pawnee is entitled to receive extraordinary expenses from the pawnor for preserving the goods, but does not have the right to retain the goods for such extraordinary expenses.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2016

52. Consider the following statements regarding the rules of guarantee:
I. Death of the principal debtor does not release the surety from his obligation during his lifetime.
II. A continuing guarantee may be revoked as to future transactions by notice to the creditor.
III. Release of one co-surety by the creditor immediately discharges all other co-sureties.
IV. Co-sureties who are bound in different sums are liable to pay equally as far as the limits of their respective obligations permit.
V. The surety released by the creditor does not become free from his responsibility to the other sureties.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, II, IV, and V only
(D) I, III, IV, and V only

May/June 2024

53. Consider the following features of a Contract of Bailment:
I. Delivery of possession of goods from bailor to bailee.
II. Delivery must be for a specific purpose.
III. Immediate transfer of ownership along with possession.
IV. Agreement that specific goods will be returned or disposed of.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, II, and IV only
(D) I, III, and IV only

Oct/Nov 2011

54. The Contract of Bailment is formally dealt with under which of the following section ranges?
(A) Sections 10 to 30
(B) Sections 124 to 147
(C) Sections 148 to 170
(D) Sections 182 to 238

May/June 2005

55. Consider the following duties and responsibilities of the bailee regarding the return of goods:
I. The bailee must return the goods bailed as soon as the time has expired or purpose is accomplished.
II. The bailee is responsible to the bailor for any deterioration if the goods are not returned on time.
III. The bailee is permitted to retain any natural increase or profit from the goods unless otherwise agreed.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2017

56. Which of the following statements is correct regarding the implied promise by the principal debtor?

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(B) Provide a minimum guaranteed monthly salary irrespective of the agency's nature or the performance of specific tasks.
(C) Relieve the agent from maintaining any formal accounts for routine transactions involving third-party participants.
(D) Absolve the agent from all liabilities arising due to the agent's own gross negligence or professional misconduct.

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are not. Solicitors represent clients in legal and professional matters rather than having authority to sell, buy, or consign goods in the ordinary course of a mercantile business.

73. (B) The agent has to be compensated for injuries sustained by him due to neglect or want of skill on the part of the principal.
A principal has a legal duty toward their agent to ensure a safe working environment or provided equipment. If the agent suffers any injury because of the principal's neglect or lack of professional skill, the principal is held liable. The agent's right to compensation in such cases is a statutory protection under the law, ensuring accountability for the principal's own failures.

74. (A) I, II, and III only
A principal is legally bound to indemnify their agent against the consequences of all lawful acts performed within their authority. This duty also extends to acts done by the agent in good faith, even if they result in unforeseen liabilities. Furthermore, the principal must compensate the agent for injuries caused by the principal's neglect. However, allowing secret profits is never a legal duty.

75. (A) C is completely discharged of his obligation to pay the sum in question to B.
When an agent is authorized to receive money on behalf of the principal, payment made to that agent is legally equivalent to payment made to the principal. Once a third party pays the authorized agent, their debt to the principal is fully discharged. The principal's remedy, if the agent misappropriates the funds, lies against the agent, not the third party who paid.

76. (A) I, II, III, and V only
Agents have critical duties, including protecting the principal's interests during insolvency, maintaining confidentiality, and not setting up their own title to received goods. Crucially, an agent must avoid situations where their personal interests conflict with their professional duties. However, the general rule prohibits agents from delegating their personal undertaking to a sub-agent without specific authorization or necessity, making unrestricted delegation incorrect.

77. (C) Delegate his/her authority and depute another person to do what he has himself undertaken to do.
Under the principle of personal trust, an agent is generally prohibited from delegating their authority to another person. If an agent has personally undertaken to perform a task, they cannot depute a sub-agent to do it unless authorized by the principal or justified by trade custom. This ensures that the principal's choice of a specific agent's skill and integrity is respected.

78. (A) I and III only
To create a valid agency, the principal must possess the legal capacity to contract, being of sound mind and the age of majority. Notably, the law explicitly states that no consideration is required to establish the relationship between a principal and an agent. While agents should ideally be competent, even minors can act as agents to bind the principal to third parties.

79. (B) A can compel B to sell the house to A at the price B gave for it.
An agent is prohibited from dealing on their own account in the business of the agency without the principal's consent. If an agent acquires property for themselves while pretending it was unavailable to the principal, the principal can claim all benefits. Consequently, the principal has the legal right to compel the agent to transfer the property to them at the original purchase price.

80. (A) Indemnify the agent against the consequences of all lawful acts done by him in exercise of the authority conferred.
The primary legal obligation of a principal toward their agent is to provide indemnification. The principal must hold the agent harmless against any legal consequences and liabilities that arise from the agent performing lawful acts within the scope of their conferred authority. This protection ensures that the agent does not personally bear the risks associated with the principal's business dealings with third parties.

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9. (B) Surety, Principal Debtor, Creditor/Beneficiary
A contract of guarantee involves three specific parties with distinct roles. The person who provides the guarantee is known as the surety. The person for whose default the guarantee is given is the principal debtor. Finally, the person to whom the guarantee is given and who can enforce the obligation is referred to as the creditor or the beneficiary.

10. (D) I, II, III, and IV
Free consent is a fundamental requirement for a valid contract. Consent is considered free when it is obtained without the presence of certain vitiating factors. To ensure an agreement is legally binding and not voidable, it must not be caused by coercion, undue influence, fraud, misrepresentation, or mistake. The absence of all these elements is necessary for genuine consent.

11. (D) A is completely discharged from his surety-ship to C because B is no longer a debtor to C.
The liability of a surety is discharged if the creditor enters into a contract with the principal debtor that results in the debtor being released. Since the debtor's obligation to the creditor is extinguished through the assignment of property and subsequent release, the surety is no longer bound. The surety cannot be held liable for a debt that no longer exists.

12. (C) An agreement can be oral, except where certain laws require agreements to be in writing, registered, and/or attested.
Most contracts do not require a specific form and can be made orally. However, the law provides that certain types of agreements must be in writing, signed, and sometimes registered to be enforceable. These statutory requirements apply to specific transactions, such as the transfer of immovable property or agreements made without consideration, which necessitate formal documentation to be legally valid.

13. (D) I, II, III, and IV
An indemnity holder acting within the scope of their authority possesses several legal rights when sued. These include recovering all damages paid in a suit, all costs incurred while acting prudently, and sums paid under a compromise not contrary to the indemnifier's orders. Additionally, the right to sue for specific performance exists if absolute liability is incurred within the contract's scope.

14. (C) The agreement made by the minor was void ab initio, and there was no question of refunding the money.
Agreements entered into by minors are considered void from the beginning and cannot be enforced. Since a minor lacks the legal capacity to contract, such agreements do not create any legal obligations. Consequently, in cases involving mortgages executed by minors, the court holds that the transaction is entirely null, and there is no legal requirement for the minor to refund any borrowed money.

15. (D) The limitation period commences from the date when a demand is made on the guarantor for the amount due.
In the context of a continuing guarantee, the period of limitation for initiating legal action against the guarantor does not start when the contract is signed. Instead, the limitation period begins only when a formal demand for payment is made upon the guarantor. This ensures that the time limit for legal remedies is tied to the actual trigger of the guarantor's liability.

16. (A) I, II, III, IV, V
The formation of a contract follows a logical sequence. It begins with a proposal where one party signifies willingness. Once the other party signifies assent, the proposal becomes a promise. Promises that form mutual consideration result in an agreement. Finally, if that agreement is enforceable by law, it achieves the status of a contract, completing the legal process of formation.

17. (A) I only
An unconditional and irrevocable bank guarantee is a distinct contract where the bank is obligated to pay the beneficiary on demand without demur. Courts are generally reluctant to interfere with these commercial obligations. Injunctions against encashment are rarely granted unless there is a clear establishment of fraud or evidence that irretrievable injustice would result if the guarantee were paid.

NODIA

18. (A) The agreement is void because transferring the business and sale of liquor to an unlicensed person is forbidden by law.
Under the Indian Contract Act, an agreement is void if its object or consideration is forbidden by law. Transferring the management and sale of liquor to a person without the required license violates statutory regulations. Such agreements undermine public policy and legal mandates. Consequently, the court will not enforce any agreement that involves the illegal operation of a licensed business.

19. (B) Implied indemnity
Implied indemnity arises when one person performs an act at the request of another, which subsequently causes injury to a third party. In this scenario, by endorsing the note to the bank, the broker requested the bank to act. When the bank incurred liability to the government due to the forged endorsement, the broker became liable to indemnify the bank.

20. (A) Every promise and every set of promises, forming the consideration for each other.
An agreement is legally defined through the concept of mutual promises. It exists when one party makes a proposal and the other accepts it, creating a set of promises that serve as consideration for one another. This mutual exchange of promises is the essential foundation of any agreement, regardless of whether it ultimately becomes a legally enforceable contract or not.

21. (C) Mere forbearance on the part of the creditor to sue the principal debtor, unless the parties had agreed for such discharge.
A surety is not discharged from liability simply because the creditor delays or forbears from suing the principal debtor. Unless there is a specific agreement to the contrary, the creditor's inaction regarding the pursuit of legal remedies against the debtor does not release the surety. The surety's obligation remains intact despite the creditor's temporary choice not to initiate legal proceedings.

22. (A) I only
Consideration implies 'something in return' and must be lawful for an agreement to be valid. While agreements without consideration are generally void, there is a specific legal exception for promises to compensate a person who has already done something voluntarily for the promisor. Such promises are enforceable by law, making the statement that they are not enforceable factually incorrect.

23. (D) Agreement caused by coercion — Voidable contract at the option of the party whose consent was so caused.
The validity of a contract depends on free consent. When consent to an agreement is obtained through coercion, the contract is not void from the start but is voidable. This means the party whose consent was forced has the legal right to choose whether to rescind the contract or proceed with it, provided the choice is exercised within reasonable legal limits.

24. (D) Three separate agreements: between creditor and debtor, surety and creditor, and an implied contract between debtor and surety.
A contract of guarantee is a complex tripartite arrangement involving three distinct agreements. First, there is the primary contract between the creditor and the principal debtor. Second, there is the guarantee contract between the surety and the creditor. Finally, the law implies a third contract between the principal debtor and the surety, wherein the debtor must indemnify the surety for payments.

25. (B) A contract by which one party promises to save the other from loss caused by the promisor or any other person.
A contract of indemnity is a specific legal arrangement where one party, the indemnifier, promises to protect another party from financial loss. This loss may be caused by the conduct of the indemnifier themselves or by the conduct of any other person. The primary purpose is to ensure the indemnified party is held harmless against potential damages or liabilities identified.

26. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
For an agreement to constitute a contract, there must be a clear intention among the parties to create a legal relationship. Social or domestic agreements usually lack this intention and are therefore not enforceable in court. Because the

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presence of legal intent is a prerequisite for a contract, social arrangements do not result in binding legal obligations between the parties involved.

27. (C) Assertion (A) is true, but Reason (R) is false.
The liability of a surety is co-extensive with that of the principal debtor, meaning the creditor can sue the surety directly without first exhausting remedies against the debtor. A surety has no inherent right to restrain an action on the grounds of the debtor's insolvency. The creditor's right to recover from the surety is immediate once the principal debtor defaults.

28. (A) It is a void agreement because it is impossible of performance.
Agreements to perform an act that is impossible in itself are void under the Indian Contract Act. Since bringing a deceased person back to life is physically and scientifically impossible, any agreement based on such a promise lacks legal validity. The law does not recognize or enforce obligations that cannot be fulfilled, regardless of any consideration offered or accepted between the parties.

29. (C) If the indemnified has incurred absolute liability, he may call upon the indemnifier to pay it off before actual loss.
The liability of an indemnifier is not necessarily deferred until the indemnity holder has actually suffered a physical loss or paid money. Once the indemnity holder incurs an absolute and certain liability toward a third party, they are entitled to call upon the indemnifier to discharge that liability. This prevents the indemnity holder from having to pay out of their own pocket.

30. (D) I, II, III, IV, and V
Banks engage in various legal relationships with customers based on the nature of the transaction. These include debtor-creditor roles for deposits and loans, and bailment for safe custody of valuables. Additionally, banks act as agents when collecting cheques and as lessors when hiring out safe deposit lockers. Each specific service establishes a unique set of rights and obligations for both parties.

31. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The death of a surety results in the automatic revocation of a continuing guarantee regarding any future transactions, unless a contract exists to the contrary. Because the guarantee ends for future debts upon the surety's death, banks typically break the borrower's running accounts to determine the exact liability at the time of death and protect their interests against unrecovered future debts.

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32. (B) Bailee's Particular Lien
A particular lien allows a bailee to retain possession of goods until they receive remuneration for services involving the exercise of labor or skill. When a bailee, such as a jeweler, performs work like cutting and polishing a diamond, they acquire this right. This lien applies specifically to the goods upon which the work was performed and remains until payment is made.

33. (B) Guarantee obtained by keeping silent as to a material circumstance — Guarantee is valid provided no active fraud occurred.
A guarantee must be based on full disclosure of material facts by the creditor. If a guarantee is obtained by means of keeping silence regarding a material circumstance, the guarantee is generally considered invalid. This rule ensures that the surety is aware of the risks involved. Passive silence on essential matters vitiates the contract, regardless of whether active fraud occurred or not.

34. (D) Absolute transfer of general property and ownership to the pawnee.
A pledge involves the bailment of goods as security for a debt. The pawnee acquires only a special property interest in the goods, which allows them to retain possession. The general property and ultimate ownership remain with the pawnor. A pledge does not involve an absolute transfer of ownership; it only provides a possessory security interest to the creditor until repayment.

35. (A) When goods are delivered by mistake, a contract of bailment is nonetheless instantly created by law.
Bailment typically arises from a contract where goods are delivered for a specific purpose. While

54. (C) Sections 148 to 170
The Indian Contract Act, 1872, provides a comprehensive legal framework for different types of specialized contracts. The provisions specifically defining and regulating the contract of bailment, including the duties and rights of bailors and bailees, are contained within Sections 148 to 170. These sections cover everything from the initial delivery of goods to the exercise of liens and the return of property.

55. (A) I and II only
A bailee has the duty to return the bailed goods once the specified time has expired or the purpose is achieved. If the bailee fails to return the goods on time, they become responsible to the bailor for any subsequent loss, destruction, or deterioration, even if it occurs without their fault. Additionally, the bailee must return any natural increases or profits from the goods.

56. (A) The surety is entitled to recover from the principal debtor whatever sum he has rightfully paid under the guarantee.
In every contract of guarantee, the law implies a promise by the principal debtor to indemnify the surety. This means that once the surety performs the obligation or pays the debt upon the debtor's default, they have the right to recover those sums from the debtor. However, the surety can only recover amounts that were rightfully paid according to the guarantee's terms.

57. (A) In a pledge, there is a power to sell on default, whereas in a lien, the person only has the right to retain the subject matter until paid.
While both pledge and lien involve the right to retain possession of goods, they differ significantly in the remedies available upon default. A pawnee in a pledge has the legal authority to sell the goods to recover the debt after giving notice. In contrast, a person exercising a lien generally only has the right to retain possession until their claims are satisfied.

58. (A) In bailment, specific goods are delivered and must be returned, whereas money deposited in a bank makes the bank a debtor, not a bailee.
Bailment requires the delivery of specific movable goods with the obligation to return those exact goods. In contrast, money deposited in a bank is not a bailment because the bank is not required to return the identical notes and coins. Instead, the relationship is one of debtor and creditor, where the bank is simply obligated to repay an equivalent amount on demand.

59. (A) P-3, Q-4, R-2, S-1
Delivery and liens take various forms in commercial law. Actual delivery occurs when goods are physically handed over. Constructive delivery happens through symbolic acts, such as endorsing a railway receipt. A general lien allows certain professionals to retain any goods for a general account balance, while a particular lien is restricted to goods on which specific labor or skill was exercised by the bailee.

60. (B) I, II, IV, and V only
A bailee must exercise reasonable care over bailed goods. If standard care is taken, the bailee is not liable for loss or destruction. However, the bailee must compensate the bailor for any damage resulting from inconsistent use of the goods. Furthermore, the bailor can terminate the bailment if the bailee's acts are inconsistent with the contract, and goods must be returned promptly.

61. (B) P-3, Q-2, R-1, S-4
Agents are classified by the extent of their authority. A special agent is appointed for a single transaction. A general agent manages all acts in a particular line of business. A universal agent has unlimited authority to bind the principal legally. Mercantile agents, including factors and brokers, have the authority to sell, buy, or raise money on goods in the ordinary course of business.

62. (P-2, Q-1, R-4, S-3)
The Indian Contract Act defines agency roles and responsibilities. Section 182 defines the agent and principal. Section 185 clarifies that no consideration is needed for an agency. Section 221 grants the agent the right to retain the principal's property for unpaid amounts. Finally, Section 222 establishes the principal's duty to indemnify the agent against the consequences of all lawful acts performed in their authority.

63. (A) Whatever a person can do personally can also be achieved through an agent, with no exceptions whatsoever.
The law of agency allows a person to perform many acts through another. However, this

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extraordinary risks. If the bailor fails to make such disclosures and the bailee suffers injuries as a result, the bailor is held responsible for the damages. This rule applies regardless of whether the bailment was gratuitous.

45. (C) I and III only
If a pawnor defaults on repayment, the pawnee possesses specific legal remedies. The pawnee may initiate a lawsuit against the pawnor for the debt while simultaneously retaining the pledged goods as collateral security. Alternatively, the pawnee has the right to sell the pledged items, provided they give the pawnor reasonable notice of the sale. Immediate sale without notice is not legally permitted.

46. (B) I, II, III, IV
Subrogation in a guarantee follows a specific legal process. First, the principal debtor must default on their obligation. Second, the surety must perform the promise or discharge the liability to the creditor. Third, by operation of law, the surety steps into the shoes of the creditor. Finally, the surety can exercise the creditor's rights to recover the payment from the debtor.

47. (B) Pledge
A pledge is a specific type of bailment where goods are delivered by a debtor to a creditor to serve as security for a debt or the performance of a promise. In this arrangement, the person delivering the goods is the pawnor, and the person receiving them is the pawnee. The possession of the goods acts as a guarantee for the underlying obligation.

48. (B) P-2, Q-4, R-1, S-3
Contracts of guarantee and bailment involve various concepts. A continuing guarantee extends to a series of transactions. Subrogation refers to the surety's right to recover money from the debtor after settling with the creditor. Co-sureties are liable to contribute equally within their obligation limits. The principal debtor is the person whose default triggers the guarantee, forming the basis of the tripartite relationship.

49. (A) Tailors making a coat from bailed cloth
A general lien allows certain parties, like bankers, factors, and policy brokers, to retain goods as security for a general balance of account. However, this right is not implicitly granted to all bailees. Tailors and similar artisans who perform specific labor on goods only possess a particular lien. They can only retain the specific item they worked on until remuneration for that work is paid.

50. (C) A is liable to make compensation to B because he used the horse contrary to the conditions of the bailment.
A bailee is legally obligated to use the bailed goods only according to the conditions specified in the bailment contract. If the bailee uses the goods in an unauthorized manner, they become liable for any damage that occurs during such use, even if it is accidental. Diverting from the agreed destination constitutes a breach of conditions, making the bailee responsible for resulting injuries.

51. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
A pawnee has the legal right to retain pledged goods for the payment of the principal debt and any accrued interest. This right also extends to necessary expenses incurred for the preservation of those goods. While entitled to receive extraordinary expenses from the pawnor, the pawnee does not possess the specific right to retain the goods for them. These are distinct statutory rights.

52. (C) I, II, IV, and V only
The rules governing guarantees establish various rights and discharges. A surety remains liable despite the death of the principal debtor but can revoke a continuing guarantee for future transactions by giving notice. Co-sureties contribute equally within their respective limits. Importantly, the release of one co-surety by the creditor does not discharge the others, nor does it free the released surety from contribution.

53. (C) I, II, and IV only
Bailment is characterized by the delivery of possession of goods for a specific purpose, with the requirement that the goods be returned or disposed of according to instructions. Unlike a sale, bailment does not involve the transfer of ownership; the bailor remains the owner throughout the transaction. The bailee merely holds the goods temporarily to fulfill the agreed-upon objective or task.

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formal agreements are not always required, the essence is the delivery of possession with an obligation to return the goods. Goods delivered by mistake do not instantly create a contract of bailment by law, although quasi-contractual obligations to return the goods may still arise under different legal principles.

36. (A) A is still liable to pay the balance of Rs. 5,000 to B.
When a pawnor defaults on a debt, the pawnee has the right to sell the pledged goods after giving proper notice. If the proceeds from the sale are insufficient to cover the total amount of the debt, the pawnor remains legally obligated to pay the remaining balance. The sale of the security does not automatically discharge the debt if a shortfall exists.

37. (D) I, II, and III
A surety is not discharged from liability in several specific circumstances. These include situations where the creditor forbears from suing within the limitation period or when the principal debtor is discharged by the operation of law, such as insolvency. Additionally, the release of one co-surety by the creditor does not discharge the other co-sureties, who remain bound by their original obligations.

38. (D) Goods can be separated — The bailee bears the expense of separation and any arising damage.
If a bailee mixes the bailor's goods with their own without consent, and the goods can be separated, the property in the goods remains with the respective owners. However, the bailee is legally responsible for all expenses involved in the separation process. Additionally, the bailee must compensate the bailor for any damages that occurred to the goods as a result of the mixture.

39. (D) B is bound to deliver both the calf and the cow to A.
In a contract of bailment, the bailee is generally required to deliver to the bailor any natural increase or profit that has accrued from the bailed goods. Unless there is a specific agreement to the contrary, if a bailed animal produces offspring during the period of bailment, the bailee must return both the original animal and the offspring to the bailor.

40. (D) The delivery of goods for some purpose, to be returned or disposed of according to directions when the purpose is accomplished.
Bailment is defined as the delivery of goods by one person to another for a specific purpose. This delivery is based on a contract that stipulates the goods shall be returned to the bailor or disposed of according to their instructions once the purpose is fulfilled. It involves a transfer of possession for a temporary period rather than a transfer of ownership.

41. (B) Allowing the custody of pledged movable property to remain with the debtor for a special purpose does not vitiate the effectiveness of the pledge.
A pledge is fundamentally based on the delivery of possession as security. However, the legal effectiveness of a pledge is not lost if the creditor allows the debtor to have temporary custody of the goods for a specific, limited purpose. Such constructive possession is recognized by law, ensuring the pledge remains valid and the creditor's priority over the security interest is maintained.

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42. (B) A pays Rs. 250, B pays Rs. 250, C pays Rs. 500.
When co-sureties are bound in different sums, they are liable to contribute to the debt equally, but only up to the specific limits of their respective obligations. In this scenario, the total debt is distributed according to the quarter and half shares defined in the contract. Each surety is responsible for their proportionate part of the total default amount as explicitly agreed.

43. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A bailee is legally protected when they return bailed goods to the bailor or according to the bailor's directions in good faith. This protection applies even if the bailor did not have actual title to the goods. Because bailment is essentially about the transfer of possession, the bailee fulfills their contractual duty by returning that possession to the party they received it from.

44. (D) A is responsible to B for the damage sustained because a bailor must disclose known faults.
A bailor has a legal duty to disclose any known faults in the bailed goods that could materially interfere with their use or expose the bailee to

principle is not absolute. Acts of a personal nature, such as marriage or artistic performances like painting, cannot be delegated to an agent. These specific tasks require personal skill and volition, making it incorrect to state that everything can be achieved through agency without any legal or practical exceptions.

64. (A) Agent is entitled to immediate payment of remuneration before the completion of the act.
An agent's rights include retaining money for expenses, exercising a lien on goods or papers, and receiving compensation for injuries caused by the principal's neglect. However, an agent is not entitled to remuneration before completing the assigned task or business. Remuneration generally becomes due only upon the successful conclusion of the agency service, unless a specific agreement provides for earlier or periodic payments.

65. (B) A will still be entitled to the goods on paying the original amount of Rs. 5,000 for which he himself pledged them.
When a bailee or pawnee re-pledges goods to a third party for a higher amount than the original debt, the rights of the original owner are protected. The owner remains entitled to recover their property by paying only the original sum they owed. The second pledge does not increase the owner's burden, as the first pawnee cannot transfer more rights than they actually possessed.

66. (B) The principal has the right to recover damages from the agent for the loss caused.
An agent is legally bound to conduct the business of the principal according to the principal's directions. If the agent fails to follow these instructions or neglects to exercise reasonable skill and diligence, they are responsible for any resulting loss. The principal has a clear legal right to recover compensation for such damages, ensuring the agent remains accountable for their professional conduct.

67. (A) I, II, IV, and V only
An agent owes several fiduciary and professional duties to their principal. These include performing work with reasonable skill and care, rendering proper accounts on demand, and communicating with the principal during difficulties. Furthermore, the agent must pay the principal all sums received after making authorized deductions. Making secret, undisclosed profits for personal benefit is a breach of duty and is strictly prohibited.

68. (C) Both I and II
To become an agent who is personally responsible to the principal, an individual must have reached the age of majority and be of sound mind. However, the law allows anyone to act as an agent to bind the principal. Furthermore, legal entities like companies are competent to act as agents. These rules ensure that agency can be utilized by both individuals and corporations.

69. (C) Both I and II
The general legal principle is that an agent cannot delegate their authority to another person because it is a personal trust. However, exceptions exist where the nature of the business or trade custom allows for the appointment of a sub-agent. A sub-agent is a person employed by and acting under the control of the original agent in the business of the agency.

70. (A) I and II only
An agent has the right to retain money received from the sale of goods for their remuneration and expenses. This right of retention exists even if the entire consignment has not been sold or if the specific sale is not yet fully completed. The agent is not required to remit gross funds immediately if they have legitimate claims for advances made or work performed.

71. (D) Agent
An agent is defined as a person employed by another to perform any act on their behalf or to represent them in dealings with third parties. The person for whom such acts are done is called the principal. The core function of the agent is to establish a direct contractual relationship between the principal and third persons, acting as a legal intermediary.

72. (D) Solicitors, attorneys, and insurance agents are broadly classified as Mercantile Agents.
Various professionals act as agents, but their legal classifications differ based on their authority. While factors, auctioneers, and brokers are considered mercantile agents because they deal with goods, others like solicitors and attorneys

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ANSWERS

1. (D) I, II, and III
Under the Indian Contract Act, agreements require consideration to be enforceable. However, a significant exception exists for agreements made out of natural love and affection between parties in a near relation. For such an agreement to be legally valid without consideration, it must be expressed in writing and registered under the prevailing law for document registration purposes.

2. (C) Implied indemnity is explicitly and strictly governed only by rules that exclude all non-contractual scenarios.
A contract of indemnity can be either express or implied, arising from the specific circumstances or the conduct of the parties involved. The principle of implied indemnity is well-recognized in legal systems, particularly when one party acts upon the request of another. It is incorrect to claim that such indemnity is strictly limited to excluding all non-contractual scenarios.

3. (C) It is an invitation to offer, and A placing the order constitutes the actual proposal.
Providing a quotation of goods is legally classified as an invitation to offer rather than a binding proposal. It indicates a willingness to receive offers at specified prices. When a party subsequently places an order based on those quoted prices, that act constitutes the actual proposal. A contract is only formed once the party who provided the quotation accepts that order.

4. (C) The forbearance by A is a sufficient consideration for C's promise, making it a valid contract of guarantee.
In a contract of guarantee, anything done or any promise made for the benefit of the principal debtor may be sufficient consideration to the surety for giving the guarantee. Forbearing to sue a debtor is a valuable consideration. When a creditor agrees to wait for payment at the guarantor's request, this legal forbearance creates a valid and binding contractual obligation.

5. (B) Is disqualified from contracting by any law to which he is subject
Capacity to contract is essential for the formation of a valid agreement. The law stipulates that every person is competent to contract provided they have reached the age of majority and possess a sound mind. However, a person is specifically incompetent if they are disqualified from entering into contracts by any specific law to which they are legally subject or bound.

6. (B) Mr. A is not liable for any debts incurred by Mrs. A after the revocation point.
A continuing guarantee relates to a series of transactions and can be revoked by the surety at any time regarding future transactions. Upon providing notice of revocation to the creditor, the surety's liability for any subsequent purchases or debts is terminated. The surety remains responsible only for those obligations that were incurred before the communication of the revocation was made.

7. (B) An agreement enforceable by law where rights and obligations are enforceable in a court of law.
A contract is defined as an agreement that is enforceable by law. This implies that the parties must have the intention to create legal relations, and the agreement must meet specific statutory requirements. For an agreement to become a contract, it must establish rights and obligations that the parties can legitimately enforce through the judicial system and court proceedings.

8. (A) P-3, Q-4, R-1, S-2
Legal terminology defines the roles and statuses within agreements. The person making a proposal is the promisor, while the person accepting it is the promisee. An agreement not enforceable by law is considered void. Conversely, an agreement enforceable at the option of one or more parties, but not at the option of others, is classified as a voidable contract.

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CHAPTER 26
Contact of Sale

May/June 2016

1. Under which Section of the Sale of Goods Act, 1930 is the seller of goods deemed to be an 'unpaid seller'?
(A) Section 12(1)
(B) Section 46
(C) Section 53
(D) Section 45

Oct/Nov 2009

2. Identify the incorrect statement concerning implied warranties under the Sale of Goods Act, 1930.
(A) There is an implied warranty that the buyer shall have and enjoy quiet possession of the goods.
(B) There is an implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer.
(C) The breach of an implied warranty gives the buyer the right to reject the goods and treat the contract as repudiated.
(D) An express warranty or condition given by any party is always in addition to the implied warranties or conditions.

May/June 2023

3. Under the Sale of Goods Act, 1930, how is a 'Mercantile agent' defined?
(A) An agent exclusively appointed to deliver goods to a carrier for transmission to a foreign buyer.
(B) An independent contractor who purchases specific goods for personal consumption or internal business use.
(C) An agent having authority to sell or consign goods for sale, buy goods, or raise money on security.
(D) A person who facilitates the voluntary transfer of possession from one legal entity to another party.

Oct/Nov 2018

4. An unpaid seller of goods loses his right of lien thereon in all of the following circumstances, except:
(A) When he delivers the goods to a carrier for transmission without reserving the right of disposal.
(B) When the buyer or his authorized agent lawfully obtains physical possession of the specific goods.
(C) When the seller makes part delivery without the intention of waiving the lien on the balance.
(D) When the seller executes a formal written waiver of lien regarding the specific goods in question.

May/June 2007

5. How does the right of lien conceptually differ from the right of stoppage in transit for an unpaid seller?
(A) Lien is exercised when goods are in transit, while stoppage is exercised when goods are in the buyer's possession.
(B) Lien is a right to retain possession, while stoppage is a right to stop goods after parting with possession.
(C) Lien can only be exercised if the buyer is solvent, while stoppage can only be exercised if the goods have been resold.
(D) Lien gives a right to sue for price, while stoppage gives a right to sue for damages.

Oct/Nov 2025

6. What is the most appropriate method by which an unpaid seller may exercise his right of stoppage in transit?
(A) By exclusively filing a formal suit for damages against the buyer in a court of competent jurisdiction.
(B) By taking possession or by giving notice of his claim to the carrier or bailee in possession.
(C) By physically arresting the carrier or agent

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V. Multimodal transport document

Which of the above are explicitly included in the definition of 'Document of title to goods'?

(A) I, II, III, IV, and V
(B) I, II, III, and IV only
(C) I, II, IV, and V only
(D) II, III, IV, and V only

Oct/Nov 2016

58. Which of the following pairs is incorrectly matched regarding the features of a contract of sale of goods?

(A) Moveable property : Contracts relating to transfer of immoveable property like land.
(B) Bilateral contract : Involves two persons - the buyer and the seller.
(C) Money consideration : The price payable for the transfer of goods.
(D) No particular form : Contract may be oral or written.

May/June 2014

59. Consider the following features of a contract of sale of goods:

I. It involves a bilateral contract between the buyer and the seller.
II. The consideration must be money, called the price.
III. It applies to the sale of immoveable property like land and building.
IV. The Sale of Goods Act does not make it mandatory to enter into written contracts unless another law provides so.

Which of the statements above are correct?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, II, and IV only
(D) I, III, and IV only

Oct/Nov 2007

60. Consider the following statements regarding the definition of an 'unpaid seller':

I. A seller is deemed an unpaid seller when the whole of the price has not been paid or tendered.
II. A consignor or agent who has paid for goods to the seller cannot be considered an unpaid seller under any circumstances.

Which of the statements is/are correct?

(A) Only II
(B) Only I
(C) Both I and II
(D) Neither I nor II

May/June 2025

61. Read the following scenario and answer the question: Mr. X obtains possession of a diamond ring from Mr. Y through coercion. Before Mr. Y rescinds the contract, Mr. X sells the ring to Mr. Z, who purchases it in good faith and without knowing about the coercion. Does Mr. Z acquire a good title to the ring?

(A) No, because Mr. X obtained the ring through coercion and has no valid legal title to transfer to others.
(B) No, because Mr. Y can demand the ring back from any person at any time as the original legal owner.
(C) Yes, as the buyer acquires title if buying in good faith without notice before the contract is rescinded.
(D) Yes, but Mr. Z must pay an additional sum to Mr. Y to validate the title under these specific circumstances.

Oct/Nov 2019

62. Read the following scenario and answer the question: Mr. X sells 100 bales of cotton to Mr. Y on credit. While the cotton is in transit, Mr. Y becomes insolvent. However, before transit ends, Mr. Y transfers the railway receipt to Mr. Z, who takes it in good faith and for consideration. Mr. X attempts to exercise stoppage. Which is correct?

(A) Mr. X's right is defeated because Mr. Z took the document of title in good faith and for consideration.
(B) Mr. X can freely stop the goods as his right of stoppage is absolute regardless of any third-party claims.
(C) Mr. X can stop the goods but must pay full financial compensation to Mr. Z for the cotton bales.
(D) Mr. X's right of stoppage is valid but subordinate to the railway authority's own lien on the cargo.

May/June 2009

63. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.

Assertion (A): Even if the parties have agreed that a stipulation is a warranty, it may legally be

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like land.
(B) The Sale of Goods Act makes it mandatory for all valid contracts for the sale of goods to be in writing.
(C) The contract involves two persons, the buyer and the seller, and can be oral, written, or implied by conduct.
(D) The contract strictly prohibits any provision for the future postponement of delivery or payment terms.

May/June 2018

15. What is the most appropriate consequence if a buyer has accepted the goods, but the seller has not fulfilled a condition to which the contract was subject?
(A) The buyer is legally barred from initiating any form of legal action against the seller for non-fulfilment.
(B) The buyer can only reject the goods entirely and demand a full refund of the price already paid to the seller.
(C) The buyer can demand specific performance and file criminal charges against the seller for breach of contract.
(D) The buyer must treat the breach as a breach of warranty only, unless an express term provides otherwise.

Oct/Nov 2016

16. Which of the following best defines a 'Document of title to goods'?
(A) Any document used in the ordinary course of business as proof of the possession or control of goods.
(B) Any financial instrument recording the market value of goods held within a licensed warehouse facility.
(C) A formal written contract of sale that has been duly executed and witnessed by both the buyer and seller.
(D) A legal instrument specifically designed to claim actionable claims or secure a lien on personal property.

May/June 2014

17. There is no implied warranty or condition as to the quality or fitness of goods for any particular purpose, except in which of the following cases?
(A) When the buyer discloses the purpose to the seller and relies on the seller's skill or judgement.
(B) When the buyer purchases goods without communicating any intended purpose or use to the seller.
(C) When the buyer relies exclusively on his own judgement and subsequently makes an unsuitable choice.
(D) When the goods are sold under a trade name where no reliance is placed on the seller's expertise.

Oct/Nov 2007

18. Which Section of the Sale of Goods Act, 1930 deals with the effect of sub-sale or pledge by the buyer on the unpaid seller's right of lien or stoppage in transit?
(A) Section 53
(B) Section 12
(C) Section 45
(D) Section 47

May/June 2025

19. Which of the following statements regarding the termination of an unpaid seller's lien is incorrect?
(A) The unpaid seller loses his lien when he delivers the goods to a carrier without reserving the right of disposal.
(B) The unpaid seller loses his lien when the buyer or his agent lawfully obtains possession of the goods.
(C) The unpaid seller loses his lien by a waiver of lien.
(D) The unpaid seller loses his lien immediately just because he obtains a decree for the price of the goods.

Oct/Nov 2019

20. Which of the following correctly describes an implied condition or warranty?
(A) These are terms interpreted by law into the contract, though they may be excluded by express agreement.
(B) These are terms that must be expressly stated in the written contract to be enforceable by either of the parties.
(C) These are absolute statutory terms that cannot be excluded even if the parties to the contract agree to do so.
(D) These are secondary terms that only apply to the sale of future goods and not to specific identified goods.

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(B) I, III, IV, and V
(C) I, II, III, and IV
(D) I, II, III, IV, and V

Oct/Nov 2018

46. Arrange the following events in the correct chronological sequence defining the duration of transit for goods:
1. Goods are delivered to a carrier or other bailee for the purpose of transmission to the buyer.
2. The buyer or his agent takes delivery of the goods from such carrier or other bailee.
3. Goods are deemed to be in course of transit.
4. The transit ends.

(A) 1, 3, 2, 4
(B) 1, 2, 3, 4
(C) 3, 1, 2, 4
(D) 2, 3, 1, 4

May/June 2007

47. Consider the following statements regarding Caveat Emptor:
I. It means a warning, a caution or 'buyer beware'.
II. The buyer must keep his eyes open, mind active, and examine the goods thoroughly.
III. If the goods do not serve the buyer's purpose because of his own bad choice, he cannot blame the seller.
IV. The doctrine strictly provides that there are no exceptions to the rule under the Sale of Goods Act.

Which of the statements above are correct?
(A) I, II, and IV
(B) I, II, and III
(C) II, III, and IV
(D) I, III, and IV

Oct/Nov 2025

48. Which of the following pairs is correctly matched regarding the terms defined under the Sale of Goods Act, 1930?
(A) Future goods : Goods identified and agreed upon at the time a contract is made.
(B) Delivery : Voluntary transfer of possession from one person to another.
(C) Specific goods : Goods to be manufactured after making of the contract.
(D) Seller : A person who buys or agrees to buy goods.

May/June 2012

49. Consider the following situations regarding the termination of an unpaid seller's lien:
I. When he delivers the goods to a carrier for transmission without reserving the right of disposal.
II. When the buyer or his agent lawfully obtains possession of the goods.
III. When the seller obtains a decree for the price of the goods.

In which of the above situations does the unpaid seller definitively lose his lien?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2014

50. Consider the following statements regarding the effect of sub-sale or pledge by the buyer:
I. The unpaid seller's right of lien or stoppage in transit is generally not affected by a further sale or other disposition by the buyer unless the seller gives permission.
II. The right of the unpaid seller gets defeated if any person in good faith and for consideration takes documents of title to goods from a buyer.

Which of the statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

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May/June 2019

51. Consider the following rights available to an unpaid seller under the Sale of Goods Act, 1930:
I. Right of lien on the goods.
II. Right of stopping the goods in transit.
III. Right of resale of the goods.
IV. Right of withholding delivery if property has not passed.
V. Right to file a suit against the buyer for damages or price.

Which combination represents the rights correctly available to an unpaid seller?
(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2015

28. What is the fundamental conceptual difference between a condition and a warranty in a contract of sale?
(A) Breach of a condition allows contract repudiation, while breach of a warranty allows for damages only.
(B) A condition is collateral to the purpose, while a warranty is essential to the main purpose of the contract.
(C) Breach of a condition allows for damages only, while breach of a warranty allows the rejection of goods.
(D) A condition may be waived by the buyer, while a warranty must be strictly enforced in all legal circumstances.

May/June 2013

29. Under the definition of 'Goods' in the Sale of Goods Act, 1930, all of the following are included, except:
(A) Stock and shares
(B) Growing crops and grass
(C) Actionable claims and money
(D) Things attached to or forming part of the land agreed to be severed

Oct/Nov 2021

30. Which of the following statements correctly highlights a distinction between a sale and an agreement to sell?
(A) In a sale, the risk in goods is still with the seller, whereas in an agreement to sell, it is with the buyer.
(B) In an agreement to sell, if the seller does not deliver the goods, the buyer can demand specific performance.
(C) An agreement to sell is a contract in which the parties have already performed their part.
(D) In a sale, the ownership of goods has already passed irrespective of whether the goods are delivered or not.

May/June 2024

31. Match the rights of an unpaid seller in List I with the appropriate legal action in List II and select the correct option.
List I: (Rights)
P. Suit for price
Q. Suit for damages
R. Repudiation of contract
S. Suit for interest
List II: (Legal Action)
1. Claiming monetary compensation for loss due to breach.
2. Claiming the principal money consideration for the goods.
3. Claiming additional amount for the delay in payment.
4. Cancelling the contract legally.
(A) P-1, Q-2, R-3, S-4
(B) P-3, Q-4, R-1, S-2
(C) P-2, Q-1, R-4, S-3
(D) P-4, Q-3, R-2, S-1

Oct/Nov 2008

32. Consider the following situations regarding an unpaid seller in possession of goods:
I. If the goods have been sold without any stipulation as to credit.
II. If the goods have been sold on credit, but the term of credit has expired.
III. If the buyer becomes insolvent.
In which of the following cases is an unpaid seller entitled to retain possession until payment?
(A) I and II only
(B) I, II, and III
(C) II and III only
(D) I and III only

May/June 2006

33. Match the terms in List I with their meanings in List II and select the correct option.
List I: (Terminology)
P. Future goods
Q. Specific goods
R. Delivery
S. Buyer
List II: (Meanings)
1. Goods identified and agreed upon at the time a contract of sale is made.
2. A person who buys or agrees to buy goods.
3. Goods to be manufactured or produced or acquired by the seller after making the contract.
4. Voluntary transfer of possession from one person to another.
(A) P-1, Q-3, R-2, S-4
(B) P-3, Q-1, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-4, R-1, S-2

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currently transporting the goods to the buyer's location.
(D) By immediately reselling the goods while in transit, without notifying the carrier or the original buyer.

May/June 2012

7. What is the precise meaning of 'Goods' under the Sale of Goods Act, 1930?
(A) Every kind of property including actionable claims and money.
(B) Every kind of moveable property other than actionable claims and money.
(C) Only manufactured items and specific goods agreed upon at the time of contract.
(D) Immoveable property including land and buildings agreed to be severed.

Oct/Nov 2014

8. Which of the following is a correct statement regarding the duration of transit?
(A) Goods are in transit from the time the buyer pays the price until the goods are fully consumed.
(B) Goods are in transit from delivery to a carrier until the buyer or his agent takes delivery from that carrier.
(C) Transit is considered ended the moment the unpaid seller delivers the goods to a carrier for transmission.
(D) Transit continues even after the buyer's agent has lawfully obtained physical possession of the goods.

May/June 2019

9. All of the following are explicitly listed as a 'Document of title to goods', except:
(A) Bill of lading
(B) Promissory note
(C) Dock-warrant
(D) Warehouse-keeper's certificate

Oct/Nov 2006

10. Which of the following correctly reflects the conceptual difference regarding consideration in a contract of sale of goods?
(A) The consideration must be a barter, where goods are exchanged for goods.
(B) The consideration can solely be the promise to transfer immoveable property.
(C) The consideration must be money, called the price payable for the transfer of goods.
(D) The consideration must be past services rendered by the buyer to the seller.

May/June 2021

11. If an unpaid seller resells goods (not of a perishable nature) after exercising his right of lien, but fails to give prior notice of sale to the buyer, what is the most appropriate outcome?
(A) The seller can recover damages for loss from the original buyer and is entitled to keep any profits.
(B) The new buyer does not acquire a good title to the goods against the original buyer in this situation.
(C) The contract of sale becomes completely void, and the original buyer must return the goods to the seller.
(D) The seller cannot recover damages from the buyer, and the buyer is entitled to any profit on resale.

Oct/Nov 2010

12. To which territorial extent does the Sale of Goods Act, 1930 apply?
(A) It extends exclusively to the commercial capitals of India.
(B) It extends to the whole of India except the State of Jammu and Kashmir.
(C) It extends to the whole of India.
(D) It applies only to transactions occurring across state borders.

May/June 2005

13. Which of the following statements regarding the essential elements of a contract of sale is incorrect?
(A) The contracts relating to the transfer of immoveable property are governed by the Sale of Goods Act.
(B) The consideration for a sale of goods must be money.
(C) A contract of sale may provide for delivery or payment by instalments.
(D) A contract of sale may be absolute or conditional.

Oct/Nov 2022

14. Which of the following is a correct statement regarding the features of a contract of sale of goods?
(A) The contract applies to the transfer of both moveable goods and immoveable property

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Oct/Nov 2020

40. Which of the following pairs is correctly matched regarding the unpaid seller's rights?
(A) Suit for price : Right against the goods
(B) Right of Lien : Right against the buyer personally
(C) Suit for damages : Right against the goods
(D) Stoppage in transit : Right against the goods

May/June 2022

41. Consider the following statements regarding resale and stoppage in transit:
I. If goods are perishable, the unpaid seller can resell without notice if the buyer doesn't pay in reasonable time.
II. For non-perishable goods, notice of intention to resell is required to recover damages.
III. If notice is given, the buyer is not entitled to any profit on resale.
IV. If no notice is given, the buyer becomes entitled to the profit on resale.
V. Even without notice, the new buyer acquires a good title against the original buyer.
Which of the statements above are correct?
(A) I, II, III, and IV only
(B) I, II, III, IV, and V
(C) I, II, IV, and V only
(D) II, III, IV, and V only

Oct/Nov 2023

42. Match the implied conditions in List I with their corresponding descriptions in List II and select the correct option.
List I: (Condition Type)
P. Title of the seller
Q. Sale by description
R. Sale by sample
S. Sale by sample as well as description
List II: (Description)
1. Seller has a right to sell the goods.
2. Goods shall correspond with the description.
3. Bulk shall correspond with the sample in quality.
4. Goods must correspond to both sample and description.
(A) P-2, Q-1, R-4, S-3
(B) P-3, Q-4, R-1, S-2
(C) P-1, Q-2, R-3, S-4
(D) P-4, Q-3, R-2, S-1

May/June 2016

43. Consider the following statements regarding an unpaid seller's right against the goods:
I. A right of lien on the goods for the price while he is in possession of them.
II. A right of stopping the goods in transit after he has parted with the possession, in case of the buyer's insolvency.
III. A right of withholding delivery if the property in goods has already passed to the buyer.
Which of the statements given above are correct?
(A) II and III only
(B) I and II only
(C) I and III only
(D) I, II, and III

Oct/Nov 2009

44. Consider the following statements regarding conditions and warranties:
I. A condition is a stipulation essential to the main purpose of the contract, and its breach gives the right to treat the contract as repudiated.
II. A warranty is a stipulation collateral to the main purpose of the contract, and its breach gives the right to reject the goods.
Which of the statements is/are correct?
(A) Only II
(B) Both I and II
(C) Neither I nor II
(D) Only I

May/June 2023

45. Consider the following statements comparing a Sale and an Agreement to Sell:
I. A sale is an executed contract, while an agreement to sell is executory.
II. In a sale, ownership passes irrespective of delivery; in an agreement to sell, it passes at a later date.
III. The risk in goods passes to the buyer in a sale, but remains with the seller in an agreement to sell.
IV. In a sale, the seller can sue for price if unpaid; in an agreement to sell, he can usually sue only for damages.
V. In an agreement to sell, if the seller parts with possession, he cannot sue for return of goods under any circumstances.
Which of the statements given above are correct?
(A) II, III, IV, and V

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Oct/Nov 2017

34. Consider the following statements regarding the right of stoppage in transit:

I. It can be exercised when the buyer becomes insolvent.

II. It is available to an unpaid seller who has parted with the possession of the goods.

III. The seller may retain the goods until payment of the price.

IV. The right is exercised exclusively by obtaining a court decree.

Which of the statements above are correct?

(A) I, II, and IV
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and III

May/June 2008

35. Consider the following statements regarding a contract of sale of goods:

I. A contract of sale must be a bilateral contract involving two persons, the buyer and the seller.

II. The consideration for a sale of goods can be a barter where goods are exclusively exchanged for goods.

Which of the statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2013

36. Consider the following statements regarding implied conditions and warranties:

I. Title of the seller is an implied condition.

II. Goods being free from any charge or encumbrance is an implied warranty.

III. Sale by sample requires the bulk to correspond with the sample.

IV. Quiet possession of the goods is an implied condition.

V. In a sale by description, the goods must correspond with the description.

Which of the statements above are correct?

(A) I, II, III, and V
(B) I, II, III, and IV
(C) II, III, IV, and V
(D) I, III, IV, and V

May/June 2015

37. Arrange the following events in the correct chronological sequence in which a transaction transitions from an agreement to sell to a completed sale:

1. Parties agree that the transfer of property in goods will take place subject to some condition to be fulfilled thereafter.
2. The stipulated conditions are successfully fulfilled by the respective parties.
3. The contract is formed and classified as an agreement to sell.
4. The agreement to sell becomes a sale and property in the goods is transferred.

(A) 1, 3, 2, 4
(B) 3, 1, 2, 4
(C) 1, 2, 3, 4
(D) 3, 2, 1, 4

Oct/Nov 2012

38. Consider the following statements regarding the meaning of 'Goods' under the Sale of Goods Act, 1930:

I. It includes stock and shares.

II. It includes actionable claims and money.

III. It includes growing crops and grass.

Which of the statements given above are correct?

(A) I and II only
(B) II and III only
(C) I, II, and III
(D) I and III only

May/June 2011

39. Consider the following distinctions between a Sale and an Agreement to Sell:

I. In a sale, ownership of goods has already passed; in an agreement to sell, it is yet to pass.

II. In a sale, the risk is with the buyer; in an agreement to sell, the risk is with the seller.

III. In a sale, if the seller does not deliver, the buyer can demand specific performance.

IV. In a sale, the parties have already performed their part; an agreement to sell involves mutual promises yet to be performed.

Which of the statements above are correct?

(A) I, II, and III
(B) I, III, and IV
(C) II, III, and IV
(D) I, II, and IV

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Oct/Nov 2006

52. Match the unpaid seller's rights in List I with the corresponding situations in List II and select the correct option.

List I: (Rights)

P. Lien
Q. Stoppage in transit
R. Resale
S. Withholding delivery

List II: (Situations)

1. When property in goods has not passed to the buyer.
2. Retaining possession of goods until payment is made.
3. Disposing of the goods after exercising lien and giving notice.
4. Taking possession of goods while they are with a carrier, due to buyer's insolvency.

(A) P-1, Q-3, R-4, S-2
(B) P-4, Q-1, R-2, S-3
(C) P-3, Q-2, R-1, S-4
(D) P-2, Q-4, R-3, S-1

May/June 2021

53. Which of the following pairs is incorrectly matched regarding implied conditions and warranties?

(A) Title of the seller : Implied condition
(B) Quiet possession : Implied warranty
(C) Goods are free from any charge or encumbrance : Implied condition
(D) Sale by description : Implied condition

Oct/Nov 2010

54. Consider the following statements regarding implied conditions as to quality or fitness of goods:

I. Generally, there is no implied warranty or condition as to quality or fitness for any particular purpose.
II. An exception exists if the buyer discloses the purpose to the seller and relies on the seller's skill/judgement.
III. If goods are bought by description from a seller who deals in such goods, there is an implied condition they are of merchantable quality.
IV. If the buyer has examined the goods, there is still an implied condition as regards defects which can be revealed by examination.

Which of the statements above are correct?

(A) I, II, and IV
(B) II, III, and IV
(C) I, II, and III
(D) I, III, and IV

May/June 2005

55. Consider the following statements regarding a sale by sample:

I. The bulk shall correspond with the sample in quality.
II. The buyer shall have an opportunity to compare the bulk with the sample.
III. The goods shall be free from any defect rendering them un-merchantable, which would not be apparent on reasonable examination.

Which of the statements given above are correct implied conditions?

(A) I, II, and III
(B) I and II only
(C) II and III only
(D) I and III only

Oct/Nov 2022

56. Match the characteristics in List I to the correct description in List II and select the correct option.

List I: (Legal Situations)

P. Ownership has already passed.
Q. Risk in goods is still with the seller.
R. Buyer can demand specific performance and delivery.
S. Seller can only claim damages if buyer does not pay.

List II: (Characteristics)

1. Characteristic of an Agreement to Sell regarding risk.
2. Characteristic of an Agreement to Sell regarding seller's remedy.
3. Characteristic of a Sale regarding ownership.
4. Characteristic of a Sale regarding buyer's remedy.

(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-4, R-1, S-3

May/June 2018

57. Consider the following documents:

I. Bill of lading
II. Dock-warrant
III. Warehouse-keeper's certificate
IV. Railway receipt

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May/June 2009

21. If an unpaid seller exercises his right of lien or stoppage in transit over goods of a perishable nature, what is the most appropriate action he can take regarding resale?

(A) He must wait indefinitely for the buyer to pay the price.

(B) He must obtain a court decree before attempting to resell the goods.

(C) He may resell the goods if the buyer does not pay the price within a reasonable time.

(D) He can only return the goods to his own inventory and cannot resell them to a third party.

Oct/Nov 2011

22. Under Section 12(1) of the Sale of Goods Act, 1930, what is a stipulation in a contract of sale with reference to goods which are the subject thereof called?

(A) An actionable claim or an encumbrance.

(B) A condition or a warranty.

(C) A bilateral contract or a money consideration.

(D) A right of lien or stoppage in transit.

May/June 2010

23. What is the underlying principle of the doctrine of Caveat Emptor?

(A) The seller is strictly liable for any defects in the goods sold regardless of examination by the buyer.

(B) There is an absolute implied warranty as to the quality or fitness of goods for any particular purpose in all sales.

(C) The seller must disclose every possible defect in the goods before concluding the contract.

(D) The buyer must keep his eyes open, his mind active, and be cautious while buying the goods.

Oct/Nov 2024

24. In the case of a sale by sample, there is an implied condition that includes all of the following, except:

(A) The bulk shall correspond with the sample in quality as per the agreement.

(B) The buyer shall have a reasonable opportunity to compare the bulk with the sample.

(C) The goods shall be free from any defect rendering them un-merchantable, not apparent on examination.

(D) The seller is unconditionally liable for defects that are easily apparent on a reasonable examination of the sample.

May/June 2017

25. Which of the following statements about an absolute and conditional contract of sale is incorrect?

(A) In an absolute contract, there are no conditions to be fulfilled by the seller or buyer for the sale and purchase.

(B) A conditional sale contract strictly prohibits the transfer of ownership at any future date under any circumstances.

(C) In a conditional sale, the parties agree the sale shall be final only on the fulfilment of certain conditions.

(D) An agreement to sell becomes a sale when the conditions are fulfilled, subject to which the property is to be transferred.

Oct/Nov 2005

26. In the context of a contract of sale of goods, what does 'Price' mean?

(A) The exchange of goods for other goods of equal value.

(B) The future expected value of goods to be manufactured.

(C) The voluntary transfer of possession from one person to another.

(D) The money consideration for a sale of goods.

May/June 2020

27. Which of the following is the most appropriate description of when an agreement to sell becomes a sale?

(A) When the time elapses or conditions are fulfilled, subject to which the property is to be transferred.

(B) The moment the buyer pays any amount of partial advance towards the total agreed money consideration.

(C) The moment the formal contract of sale is written, dated, and signed by both parties to the agreement.

(D) As soon as the goods are manufactured by the seller, irrespective of any other agreed contract conditions.

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considered a condition.
Reason (R): Whether a stipulation is a condition or a warranty depends on the type of contract and whether it is essential to the main purpose of the contract.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2011

64. Read the following scenario and answer the question: A factory owner wants to buy rubber material of a specific length and width. The supplier shows him a sample, which the factory owner approves. The delivered material, however, has a significant variation in length compared to the sample. What is the buyer's right in this case?
(A) The buyer can reject the goods as they did not correspond with the sample in quality.
(B) The buyer must accept the goods and modify them to the required size at his own expense.
(C) The buyer can only claim a proportionate refund based on the dimensional variation found.
(D) The buyer is bound to accept the goods because the bulk corresponds at least partly with the sample.

May/June 2010

65. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.
Assertion (A): The Sale of Goods Act, 1930 does not make it strictly mandatory to enter into written contracts for the sale of goods.
Reason (R): A contract of sale may be oral, written, or can be implied by the conduct of the parties unless a particular law requires it to be in writing.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2024

66. Read the following scenario and answer the question: A seller delivers goods to a buyer and receives a cheque for the full payment. The cheque is subsequently dishonoured due to insufficient funds in the buyer's account. What is the legal status of the seller under the Sale of Goods Act, 1930?
(A) The seller is considered an unsecured creditor and loses all statutory rights against the goods.
(B) The seller is deemed an 'unpaid seller' because the negotiable instrument was dishonoured.
(C) The seller is no longer an unpaid seller because accepting the cheque acts as a total waiver.
(D) The seller is a mercantile agent and must sue the bank rather than the buyer for the amount.

May/June 2017

67. Read the following scenario and answer the question: Mr. P buys machinery from Mr. Q subject to a specific condition. Mr. Q fails to fulfil the condition, but Mr. P decides to accept the machinery anyway and does not reject it. What is Mr. P's legal recourse now?
(A) Mr. P can waive the condition entirely and has no further legal recourse against the seller.
(B) Mr. P can still reject the machinery at any later date if the condition remains unfulfilled.
(C) Mr. P can treat the non-fulfilment as a breach of warranty and claim damages for the loss.
(D) Mr. P must treat the contract as repudiated and return the machinery immediately to the seller.

Oct/Nov 2005

68. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.
Assertion (A): An unpaid seller loses his right of lien immediately upon obtaining a decree for

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28. (A) Breach of a condition allows contract repudiation, while breach of a warranty allows for damages only.
The fundamental difference between a condition and a warranty lies in the remedy available for their breach. A condition is essential to the contract's main purpose, and its violation allows the buyer to repudiate the contract and reject the goods. A warranty is merely collateral, so its breach only justifies a claim for damages without terminating the agreement.

29. (C) Actionable claims and money
The definition of goods under the Act explicitly excludes actionable claims and money. Actionable claims are rights to debts that can be enforced by legal action but are not physical assets. Money is excluded because it serves as the medium of exchange and consideration. Other items like stocks, shares, and growing crops are included as goods.

30. (D) In a sale, the ownership of goods has already passed irrespective of whether the goods are delivered or not.
In a sale, the ownership of the goods passes immediately from the seller to the buyer at the time the contract is made, regardless of whether delivery has occurred. In an agreement to sell, ownership remains with the seller and is transferred only at a future date or once specific conditions are met. This distinction determines risk.

31. (C) P-2, Q-1, R-4, S-3
An unpaid seller possesses several legal remedies against the buyer personally. A suit for price is initiated to recover the agreed money consideration for the goods. A suit for damages addresses the loss resulting from a breach of contract. Repudiation involves cancelling the contract legally, while a suit for interest compensates the seller for delays in payment.

32. (B) I, II, and III
An unpaid seller in possession of goods is entitled to exercise the right of lien in three specific situations. These include when the goods are sold without any credit stipulation, when the goods are sold on credit but the credit period has expired, or when the buyer becomes insolvent. In these cases, the seller retains goods until payment.

33. (B) P-3, Q-1, R-4, S-2
Specific goods are identified and agreed upon at the time of the contract, while future goods are those to be produced or acquired by the seller afterward. Delivery refers to the voluntary transfer of possession between individuals. A buyer is a person who either purchases or agrees to purchase goods, establishing one of the essential parties.

34. (D) I, II, and III
The right of stoppage in transit is available to an unpaid seller who has parted with possession of the goods when the buyer becomes insolvent. This right allows the seller to resume possession while the goods are in the course of transit and retain them until the price is paid. It is exercised by taking possession or giving notice.

35. (A) Only I
A contract of sale must be a bilateral agreement involving at least two distinct parties, a buyer and a seller. Regarding consideration, the price must be money. If goods are exclusively exchanged for other goods without any money involved, the transaction is classified as a barter and is not governed by the Sale of Goods Act, 1930.

36. (A) I, II, III, and V
Implied conditions include the seller's title to the goods, correspondence with description, and correspondence with the sample in quality. The requirement that goods be free from encumbrances is an implied warranty. Quiet possession is also classified as an implied warranty, not a condition. These terms are automatically read into the contract by the law unless otherwise agreed.

37. (A) 1, 3, 2, 4
The transaction begins when parties agree that the transfer of property will occur subject to future conditions. This agreement forms a contract classified as an agreement to sell. Once the stipulated conditions are successfully fulfilled by the respective parties, the agreement to sell transitions into a completed sale, and the ownership of the goods is officially transferred to the buyer.

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(C) The new buyer is entitled to the profit as a discount on the final purchase price of the goods.
(D) The carrier is entitled to the profit to cover any outstanding storage or transportation charges.

Oct/Nov 2008

74. Read the following scenario and answer the question: Mr. X purchases a machine from Mr. Y. Unknown to Mr. X, Mr. Y had already pledged the machine to a third party before the contract of sale was made. Later, the third party claims possession of the machine. Which implied term has Mr. Y violated?
(A) Implied condition as to the merchantable quality or fitness of the industrial machinery.
(B) Implied warranty that the buyer shall have and enjoy quiet possession of the goods.
(C) Implied condition of sale by description regarding the technical nature of the machine.
(D) Implied warranty that goods are free from any charge or encumbrance in favour of a third party.

May/June 2006

75. Read the following scenario and answer the question: Mr. A agrees to sell his car to Mr. B on the condition that Mr. B secures a bank loan. The ownership of the car is to pass only upon the loan approval. Until the loan is approved, what is the legal nature of this contract?
(A) It is an agreement to sell as transfer of property is subject to a condition to be fulfilled thereafter.
(B) It is an absolute sale because the goods involved are specific and identified at the contract's formation.
(C) It is a void contract because the money consideration is dependent on an uncertain future bank approval.
(D) It is an executed sale because both parties have mutually agreed upon the final price of the vehicle.

Oct/Nov 2017

76. Read the following scenario and answer the question: Mrs. Sharma orders curtains from a dealer who describes them as authentic seventeenth-century antique curtains. Later, Mrs. Sharma discovers they are modern reproductions. What action can she take?
(A) She can only claim a reduction in price but must keep the curtains in her possession.
(B) She has no remedy because she failed to examine them before finalizing the purchase.
(C) She must prove the dealer's fraudulent intent in court to get any form of legal relief.
(D) She can reject the goods and claim the price due to a breach of the condition of description.

May/June 2008

77. Read the following scenario and answer the question: An unpaid seller has a contract to deliver 1,000 bags of cement to a buyer on credit. The term of credit has expired. The seller has already made a part delivery of 200 bags. Does the seller have the right of lien on the remaining 800 bags?
(A) No, making part delivery automatically waives the right of lien on the balance of the goods.
(B) No, the right of lien only applies to the goods already delivered into the buyer's possession.
(C) Yes, he may exercise lien on the balance unless part delivery showed an intention to waive it.
(D) Yes, but only if the buyer provides a new written consent for the seller to retain the balance.

Oct/Nov 2013

78. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.
Assertion (A): The doctrine of caveat emptor means that the buyer must thoroughly examine the goods and assumes the risk of making a bad choice.
Reason (R): The Sale of Goods Act, 1930 stipulates that there is an absolute implied warranty as to the quality or fitness of goods for any particular purpose in all circumstances.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation

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the price of the goods.
Reason (R): The Sale of Goods Act, 1930 provides that an unpaid seller does not lose his lien by reason only that he has obtained a decree for the price of the goods.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2020

69. Read the following scenario and answer the question: A buyer purchases goods and asks the seller to dispatch them via a railway carrier. While the goods are in transit with the railway, the buyer becomes insolvent. The unpaid seller learns of this and wishes to intervene. What specific right can the seller exercise?
(A) Right of Withholding delivery.
(B) Right of Lien.
(C) Right to file a suit for specific performance against the railway carrier.
(D) Right of Stoppage in transit.

Oct/Nov 2015

70. Read the following scenario and answer the question: Company X agrees to sell 'foreign rape-seed refined oil' to Company Y and shows a sample. The delivered oil matches the sample but contains 'hemp oil' mixed in it, a fact true for the sample as well but not apparent. The product is also not 'foreign rape-seed refined oil'. Can Company Y reject the goods?
(A) No, because the goods corresponded with the physical sample provided by the seller.
(B) No, because the doctrine of Caveat Emptor applies to industrial oil transactions.
(C) Yes, because in a sale by sample and description, goods must correspond to both categories.
(D) Yes, but only if Company Y can prove that the hemp oil makes the product dangerous to use.

May/June 2013

71. The following question consists of two statements, an Assertion (A) and a Reason (R). Select the correct answer using the codes given below.
Assertion (A): A buyer acquires a good title to the goods even if the seller obtained possession under a contract voidable due to fraud.
Reason (R): This holds true provided the buyer buys them in good faith, without notice of the seller's defect of title, and the contract has not been rescinded at the time of sale.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2021

72. Read the following scenario and answer the question: A bank is considering lending against certain assets held by a company. The company purchased these assets but has not yet paid the seller. According to the principles of the Sale of Goods Act, 1930, why should the bank exercise caution in this scenario?
(A) Because the assets are strictly classified as immoveable property under the relevant local statutes.
(B) Because an unpaid seller possesses the legal right to file a criminal suit against the lending bank.
(C) Because the bank is required by law to pay the seller directly under the existing bilateral contract.
(D) Because banks do not lend against unpaid assets due to the unpaid seller's legal lien on the property.

May/June 2024

73. Read the following scenario and answer the question: Mr. A, an unpaid seller, exercises his right of stoppage in transit over certain non-perishable goods. He resells the goods without giving any prior notice to the original buyer, Mr. B. The resale results in a profit. Who is entitled to this profit?
(A) Mr. A is entitled to the profit because he validly exercised his right of stoppage in transit.
(B) Mr. B becomes entitled to the profit because Mr. A failed to give prior notice of the sale.

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ANSWERS

1. (D) Section 45
Under Section 45 of the Sale of Goods Act, 1930, a seller is deemed unpaid when the entire price has not been paid or tendered. This status also applies when a bill of exchange or other negotiable instrument received as conditional payment is dishonored. This legal definition ensures sellers maintain specific rights against the goods.

2. (C) The breach of an implied warranty gives the buyer the right to reject the goods and treat the contract as repudiated.
A breach of an implied warranty entitles the aggrieved buyer to claim damages but does not provide the legal right to reject the goods or repudiate the contract. In contrast, a breach of condition allows for contract termination. Implied warranties include the right to quiet possession and freedom from any undeclared third-party charges or encumbrances.

3. (C) An agent having authority to sell or consign goods for sale, buy goods, or raise money on security.
A mercantile agent is defined as an individual who, in the customary course of business, possesses the authority to sell or consign goods for the purpose of sale. Such agents can also buy goods or raise money using the goods as security. This role is fundamental in commercial transactions involving the management of moveable property.

4. (C) When the seller makes part delivery without the intention of waiving the lien on the balance.
An unpaid seller loses the right of lien upon delivering goods to a carrier without reserving disposal rights or when the buyer obtains lawful possession. However, making a part delivery does not automatically terminate the lien on the remaining portion unless the circumstances indicate an intention to waive the right. The lien remains enforceable on the balance.

5. (B) Lien is a right to retain possession, while stoppage is a right to stop goods after parting with possession.
The right of lien allows an unpaid seller to retain physical possession of goods until the price is paid. Conversely, the right of stoppage in transit arises only after the seller has parted with possession but before the buyer receives the goods. Stoppage requires the buyer's insolvency, whereas lien depends primarily on the seller's current possession.

6. (B) By taking possession or by giving notice of his claim to the carrier or bailee in possession.
An unpaid seller exercises the right of stoppage in transit by either taking actual physical possession of the goods or by giving notice of the claim to the carrier or bailee currently holding them. This notice must be provided to the person in possession or their principal, allowing reasonable time for communication to prevent delivery to the buyer.

7. (B) Every kind of moveable property other than actionable claims and money.
Goods are defined as every kind of moveable property excluding actionable claims and money. This encompasses stocks, shares, growing crops, grass, and items attached to land that are agreed to be severed before sale. The exclusion of money ensures that currency functions as consideration rather than the subject matter of the sale contract in legal terms.

8. (B) Goods are in transit from delivery to a carrier until the buyer or his agent takes delivery from that carrier.
Transit begins the moment goods are delivered to a carrier or bailee for transmission to the buyer. It continues until the buyer or their authorized agent successfully takes delivery from the carrier. If the carrier acknowledges holding the goods for the buyer after arrival, the transit ends, shifting the legal status from transit to constructive delivery.

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of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2015

79. Read the following scenario and answer the question: Mr. A buys a second-hand car from Mr. B and pays the full price. A week later, the police confiscate the car because it was stolen from its original owner. Under the Sale of Goods Act, 1930, what remedy is available to Mr. A against Mr. B?

(A) Mr. A can only claim partial damages for the inconvenience caused by the loss of the vehicle.

(B) Mr. A can recover the full price paid from Mr. B due to a violation of the implied condition of title.

(C) Mr. A has no legal remedy against the seller due to the strict application of caveat emptor.

(D) Mr. A must locate the original owner and pay them the market value to retain the car legally.

Oct/Nov 2012

80. Read the following scenario and answer the question: Mr. Davis buys a hot water bottle from a retail chemist, specifically asking if it would hold hot water. The chemist assures him it will. The bottle bursts while in use, injuring his wife. Is the chemist liable?

(A) Yes, for breach of condition of fitness, as the buyer disclosed the purpose and relied on the seller.

(B) No, because the doctrine of Caveat Emptor applies to all retail purchases of household goods.

(C) No, because there is never an implied warranty as to the fitness of goods for any particular purpose.

(D) Yes, but liability is limited strictly to the cost of replacing the broken bottle with a new unit.

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a good-faith purchaser, the seller's rights are compromised.

19. (D) The unpaid seller loses his lien immediately just because he obtains a decree for the price of the goods.
An unpaid seller does not lose the right of lien solely because they have obtained a decree for the price of the goods. The lien is lost only upon delivery to a carrier without reserving disposal rights, when the buyer lawfully obtains possession, or through an express waiver. Obtaining a legal judgement for payment does not terminate this right.

20. (A) These are terms interpreted by law into the contract, though they may be excluded by express agreement.
Implied conditions and warranties are terms that the law incorporates into a contract of sale by default, even if the parties have not explicitly discussed them. These terms are based on the presumed intention of the parties and the nature of the transaction. However, they can be modified or excluded through express agreement or the course of dealings.

21. (C) He may resell the goods if the buyer does not pay the price within a reasonable time.
For goods of a perishable nature, an unpaid seller who has exercised the right of lien or stoppage in transit may resell the goods immediately if the buyer fails to pay the price within a reasonable time. In this specific case, the seller is not required to give the buyer prior notice of the intention to resell.

22. (B) A condition or a warranty.
Section 12(1) classifies stipulations in a contract of sale regarding the goods as either conditions or warranties. A condition is a requirement essential to the main purpose of the contract, the breach of which permits repudiation. A warranty is a collateral stipulation, the breach of which allows for a claim for damages but not rejection.

23. (D) The buyer must keep his eyes open, his mind active, and be cautious while buying the goods.
The doctrine of caveat emptor dictates that the buyer is responsible for examining the goods and ensuring they are suitable for their needs before purchasing. Unless the seller commits fraud or an implied condition applies, the seller is not liable for defects that a reasonable examination by the buyer would have easily revealed during the transaction process.

24. (D) The seller is unconditionally liable for defects that are easily apparent on a reasonable examination of the sample.
In a sale by sample, implied conditions include that the bulk matches the sample and the buyer gets a comparison opportunity. The goods must also be free from un-merchantable defects not apparent on reasonable examination. However, the seller is not liable for defects that are clearly visible or discoverable through a normal inspection of the sample by the buyer.

25. (B) A conditional sale contract strictly prohibits the transfer of ownership at any future date under any circumstances.
A conditional sale contract does not strictly prohibit the transfer of ownership at any future date under any circumstances. A contract of sale can be either absolute or conditional. An absolute sale transfers ownership immediately without any prerequisites. In a conditional contract, ownership transfer is contingent upon the fulfilment of specific conditions or the lapse of a certain time. Therefore, conditional contracts specifically facilitate future ownership transfers rather than prohibiting them, making such agreements flexible for commercial needs.

26. (D) The money consideration for a sale of goods.
Price is defined as the money consideration for the sale of goods. It is an essential element of a contract of sale, distinguishing it from a gift or a barter. While the price is typically fixed by the contract, it can also be determined by the course of dealings between the parties or through an agreed-upon valuation.

27. (A) When the time elapses or conditions are fulfilled, subject to which the property is to be transferred.
An agreement to sell is a contract where the transfer of property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled. It becomes a sale when the stipulated time elapses or the conditions are successfully met, resulting in the actual transfer of ownership from the seller to buyer.

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9. (B) Promissory note
Documents of title include bills of lading, dock-warrants, and warehouse-keeper's certificates, which serve as proof of possession or control of goods in the ordinary course of business. A promissory note is a financial instrument and a negotiable instrument under banking law, but it does not represent ownership or the right to receive specific physical goods.

10. (C) The consideration must be money, called the price payable for the transfer of goods.
For a contract of sale to be valid under the Act, the consideration must necessarily be money, which is termed the price. While transactions involving the exchange of goods for goods are classified as barters, a sale requires at least a portion of the payment to be in currency. This distinction separates sales from other property transfers.

11. (D) The seller cannot recover damages from the buyer, and the buyer is entitled to any profit on resale.
When an unpaid seller resells non-perishable goods without giving the buyer notice of the intention to resell, the seller loses the right to recover damages for any loss incurred. Furthermore, the original buyer becomes entitled to any profit generated from the resale. This requirement ensures the buyer has a final opportunity to pay the price and claim goods.

12. (C) It extends to the whole of India.
The Sale of Goods Act, 1930, originally applied to the whole of India except the State of Jammu and Kashmir. Following the Jammu and Kashmir Reorganisation Act, 2019, the Act now extends to the entire territory of India. It provides a uniform legal framework governing the sale and purchase of moveable goods across all states.

13. (A) The contracts relating to the transfer of immoveable property are governed by the Sale of Goods Act.
The Sale of Goods Act applies exclusively to contracts involving the transfer of moveable property. Transactions related to immoveable property, such as land or buildings, are governed by the Transfer of Property Act rather than this legislation. Valid contracts of sale must involve two parties, a price in money, and the transfer of ownership of moveable goods.

14. (C) The contract involves two persons, the buyer and the seller, and can be oral, written, or implied by conduct.
A contract of sale requires two distinct parties, known as the buyer and the seller. The law does not mandate a specific formal structure, meaning the contract can be made in writing, orally, or implied through the conduct of the parties. It involves the transfer or agreement to transfer property in goods for a money consideration called price.

15. (D) The buyer must treat the breach as a breach of warranty only, unless an express term provides otherwise.
When a contract is subject to a condition and the buyer chooses to accept the goods or parts thereof, the breach of that condition can only be treated as a breach of warranty. This means the buyer is entitled to claim damages but cannot reject the goods or repudiate the contract unless there is an express term.

16. (A) Any document used in the ordinary course of business as proof of the possession or control of goods.
A document of title is any instrument used in the ordinary course of business as proof of the possession or control of goods. It authorizes the possessor of the document to transfer or receive the goods represented by it. Common examples include bills of lading, railway receipts, and warehouse certificates, facilitating trade by representing physical assets.

17. (A) When the buyer discloses the purpose to the seller and relies on the seller's skill or judgement.
Although the general rule is caveat emptor, an implied condition of fitness for a particular purpose arises when the buyer makes known the specific purpose for the goods to the seller. Furthermore, the buyer must rely on the seller's skill or judgement, and the goods must be of a description which the seller supplies in business.

18. (A) Section 53
Section 53 of the Act addresses how a sub-sale or pledge by the buyer affects the unpaid seller's rights. Generally, the seller's right of lien or stoppage is not defeated by such actions unless the seller has assented to them. However, if a document of title is lawfully transferred to

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38. (D) I and III only
The legal definition of goods includes all moveable property such as stocks, shares, growing crops, and grass. It also includes things attached to land that are agreed to be severed before sale. However, the definition explicitly excludes money and actionable claims. Therefore, while agricultural products and financial securities are considered goods, currency used for payment is not.

39. (D) I, II, and IV
In a sale, ownership and risk transfer to the buyer immediately upon contract formation. In an agreement to sell, ownership remains with the seller, and the contract consists of mutual promises to be performed later. If a seller fails to deliver in a sale, the buyer can sue for delivery; however, specific performance is generally not an automatic right.

40. (D) Stoppage in transit : Right against the goods
An unpaid seller's rights are categorized into rights against the goods and rights against the buyer personally. Stoppage in transit and the right of lien are rights exercised directly against the goods. Conversely, a suit for the price and a suit for damages are personal remedies that the seller pursues against the buyer to recover monetary losses.

41. (B) I, II, III, IV, and V
For perishable goods, an unpaid seller can resell without notice. For non-perishables, notice of resale is required to recover damages from the original buyer. If notice is given, the buyer cannot claim profits, but without notice, the buyer is entitled to them. In all cases, a new buyer in a resale acquires a good title against the original buyer.

42. (C) P-1, Q-2, R-3, S-4
The implied condition as to title ensures the seller has the right to sell the goods. Sale by description requires goods to match the verbal or written account provided. Sale by sample stipulates that the bulk must match the sample's quality. When both sample and description are used, the goods must correspond to both standards to satisfy the contract.

43. (B) I and II only
The unpaid seller's rights against the goods include a lien for the price while in possession and the right of stoppage in transit if the buyer becomes insolvent. Withholding delivery is a right applicable specifically when ownership has not yet passed to the buyer. If ownership has already passed, the seller relies on the rights of lien and stoppage.

44. (D) Only I
A condition is a stipulation essential to the main purpose of the contract, the breach of which gives the right to treat the contract as repudiated. A warranty is a stipulation collateral to the main purpose, and its breach gives the right to a claim for damages but not a right to reject the goods and repudiate the agreement.

45. (C) I, II, III, and IV
A sale is an executed contract where ownership and risk pass immediately to the buyer, allowing the seller to sue for the price. An agreement to sell is executory, with ownership passing later and risk remaining with the seller. However, if a seller parts with possession under an agreement to sell, they may still have legal remedies for recovery.

46. (A) 1, 3, 2, 4
The process begins when goods are delivered to a carrier for transmission to the buyer. During this period, the goods are legally deemed to be in the course of transit. Transit continues until the buyer or their agent takes delivery from the carrier. Once delivery is successfully taken, the transit officially ends, and the seller's right of stoppage expires.

47. (B) I, II, and III
The doctrine of caveat emptor means "let the buyer beware," requiring the buyer to examine goods for fitness and quality. If the buyer makes a poor choice, the seller is generally not responsible. However, this rule is not absolute, as the Sale of Goods Act provides several exceptions, such as when the buyer relies on the seller's expertise.

48. (B) Delivery : Voluntary transfer of possession from one person to another.
Delivery is correctly defined as the voluntary transfer of possession from one person to another.

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This can be actual, constructive, or symbolic. Future goods are those to be produced after the contract, while specific goods are identified at the time of the contract. The seller is the party who sells or agrees to sell goods to another person.

49. (A) I and II only
An unpaid seller's lien is terminated when the goods are delivered to a carrier for transmission without reserving the right of disposal or when the buyer or their agent lawfully obtains physical possession. Crucially, the seller does not lose their lien simply by obtaining a court decree for the price of the goods, as the possessory right remains.

50. (C) Both I and II
Generally, an unpaid seller's rights of lien or stoppage are unaffected by the buyer's subsequent sale or pledge unless the seller consented. However, an exception exists if the buyer transfers a document of title to a person who takes it in good faith and for consideration. In such cases, the unpaid seller's rights are defeated or made subordinate.

51. (D) I, II, III, IV, and V
An unpaid seller possesses a comprehensive set of rights under the Act. These include rights against the goods, such as lien, stoppage in transit, and resale. If property has not passed, the seller can withhold delivery. Additionally, the seller has personal rights against the buyer, including the ability to file a suit for the price or damages.

52. (D) P-2, Q-4, R-3, S-1
A lien involves retaining possession until payment, while stoppage in transit occurs when the seller resumes possession from a carrier due to the buyer's insolvency. Resale allows the seller to dispose of goods after giving notice. Withholding delivery is specifically used when the property in the goods has not yet passed to the buyer as a protective measure.

53. (C) Goods are free from any charge or encumbrance : Implied condition
The requirement that goods must be free from any charge or encumbrance in favour of a third party is classified as an implied warranty rather than an implied condition. Similarly, quiet possession is an implied warranty. In contrast, the seller's title to the goods and the correspondence of goods with their description are fundamental implied conditions under the Act.

54. (C) I, II, and III
While the general rule is no implied warranty for quality, exceptions exist when a buyer relies on the seller's judgement for a specific disclosed purpose. Another exception is the implied condition of merchantable quality for goods bought by description. However, if a buyer examines the goods, the implied condition does not cover defects that examination should have revealed.

55. (A) I, II, and III
In a sale by sample, the law implies three specific conditions: the bulk must correspond with the sample in quality, the buyer must have a reasonable opportunity to compare the bulk with the sample, and the goods must be free from any latent defects rendering them un-merchantable. Latent defects are those not discoverable through reasonable examination.

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56. (A) P-3, Q-1, R-4, S-2
In a sale, ownership has already passed to the buyer, and they can demand specific delivery of the goods. In an agreement to sell, the risk remains with the seller because ownership has not yet transferred. Furthermore, if the buyer breaches an agreement to sell, the seller's typical remedy is to claim damages rather than the full contract price.

57. (A) I, II, III, IV, and V
The Act provides an inclusive definition of "document of title to goods," which encompasses bills of lading, dock-warrants, warehouse-keeper's certificates, and railway receipts. It also specifically includes multimodal transport documents and any other document used in the ordinary course of business as proof of the possession or control of goods, authorizing the possessor to transfer them.

58. (A) Moveable property : Contracts relating to transfer of immoveable property like land.
The Sale of Goods Act, 1930, is specifically designed to regulate the sale of moveable property. Contracts involving immoveable property, such as land or buildings, are excluded

from its scope and are governed by separate property laws. Other core features include being a bilateral contract between two parties, requiring money consideration, and having no mandatory requirement for writing.

59. (C) I, II, and IV only
A valid contract of sale requires two parties and money consideration, known as the price. The Act applies only to moveable goods and does not cover immoveable property. Furthermore, there is no strict legal requirement for the contract to be in writing; it can be oral or implied by conduct, provided the basic elements for a contract are met.

60. (B) Only I
A seller is deemed an "unpaid seller" when the whole of the price has not been paid or tendered. Additionally, the term includes any person who is in the position of a seller, such as an agent of the seller to whom the bill of lading has been endorsed, or a consignor who has paid the price himself.

61. (C) Yes, as the buyer acquires title if buying in good faith without notice before the contract is rescinded.
Under Section 29, if a seller has obtained possession of goods under a contract voidable for coercion, fraud, or undue influence, but the contract has not been rescinded at the time of sale, the buyer acquires a good title. This is provided the buyer acts in good faith and without notice of the seller's defect of title.

62. (A) Mr. X's right is defeated because Mr. Z took the document of title in good faith and for consideration.
Generally, the unpaid seller's right of stoppage in transit is not affected by a sub-sale. However, Section 53 provides an exception where a document of title, like a railway receipt, is transferred to a person who takes it in good faith and for consideration. In this scenario, Mr. X's right of stoppage is defeated by Mr. Z's acquisition.

63. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Legal classification of a stipulation as a condition or a warranty depends on the construction of the contract rather than the label used by the parties. A stipulation may be a condition even if called a warranty if it is essential to the contract's main purpose. This ensures the legal effect aligns with the actual importance of the term.

64. (A) The buyer can reject the goods as they did not correspond with the sample in quality.
In a sale by sample, there is an implied condition that the bulk must correspond with the sample in quality and specifications. If the delivered material has a significant variation in length compared to the approved sample, it constitutes a breach of this condition. Consequently, the buyer has the legal right to reject the goods and repudiate the contract entirely.

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65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Sale of Goods Act does not prescribe a specific form for a contract of sale. It may be made in writing, by word of mouth, partly in writing and partly by word of mouth, or implied from the conduct of the parties. This flexibility acknowledges commercial realities where many transactions occur rapidly without the need for formal written documents.

66. (B) The seller is deemed an 'unpaid seller' because the negotiable instrument was dishonoured.
When a seller accepts a negotiable instrument, such as a cheque, as conditional payment and that instrument is subsequently dishonoured, the seller's status reverts to that of an "unpaid seller." This legal designation allows the seller to exercise various statutory rights, such as lien or stoppage in transit, despite having previously accepted the cheque as a form of payment.

67. (C) Mr. P can treat the non-fulfilment as a breach of warranty and claim damages for the loss.
A buyer has the option to waive a condition or elect to treat the breach of a condition as a breach of warranty. If the buyer chooses to accept the goods despite the non-fulfilment of a condition, they cannot later reject the goods. Instead, their

only legal remedy is to claim damages for the loss caused by the breach.

68. (D) Assertion (A) is false, but Reason (R) is true.
The assertion that an unpaid seller loses the right of lien upon obtaining a court decree for the price is legally incorrect. According to the Act, the right of lien is a possessory right that is not terminated simply by the seller seeking or obtaining a legal judgement for payment. The lien persists as long as the seller maintains possession.

69. (D) Right of Stoppage in transit.
When goods are in the possession of a carrier and the buyer becomes insolvent, the unpaid seller can exercise the right of stoppage in transit. This allows the seller to resume possession of the goods while they are in the course of transmission and hold them until the price is paid. This right is distinct from the right of lien.

70. (C) Yes, because in a sale by sample and description, goods must correspond to both categories.
When goods are sold by both sample and description, Section 15 stipulates that the bulk must correspond with both. Even if the goods match the sample, they must also match the description. Since the oil contained hemp oil and was not "foreign rape-seed refined oil" as described, the buyer has the legal right to reject the delivery.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A person possessing a voidable title to goods can transfer a valid title to a subsequent buyer, provided the transfer occurs before the original contract is rescinded. The buyer must act in good faith and have no knowledge of the seller's defective title. This rule protects innocent third-party purchasers in commercial transactions involving fraud or coercion between previous parties.

72. (D) Because banks do not lend against unpaid assets due to the unpaid seller's legal lien on the property.
Banks must exercise caution because an unpaid seller retains a legal right of lien over the goods while in possession. If the company has not paid for the assets, the seller's claim on the property may take precedence over the bank's security interest. This possessory right allows the seller to hold the goods until the full price is received.

73. (B) Mr. B becomes entitled to the profit because Mr. A failed to give prior notice of the sale.
In the case of non-perishable goods, an unpaid seller must provide the buyer with notice of the intention to resell. If the seller fails to give this notice and resells the goods at a profit, the original buyer is legally entitled to that profit. Conversely, if there is a loss, the seller cannot recover it from the buyer.

74. (D) Implied warranty that goods are free from any charge or encumbrance in favour of a third party.
There is an implied warranty in every contract of sale that the goods shall be free from any charge or encumbrance in favour of a third party that was not declared or known to the buyer. By selling a machine already pledged to another party, the seller violated this warranty, giving the buyer the right to claim for damages.

75. (A) It is an agreement to sell as transfer of property is subject to a condition to be fulfilled thereafter.
A contract where the transfer of property in the goods is to occur at a future time or depends on the fulfilment of a condition is classified as an agreement to sell. Since the ownership of the car passes only upon the bank loan approval, it remains an agreement to sell until that specific condition is successfully met.

76. (D) She can reject the goods and claim the price due to a breach of the condition of description.
In a sale by description, there is an implied condition that the goods must correspond exactly with the description provided by the seller. Since the curtains were described as seventeenth-century antiques but were actually modern reproductions, they failed to match the description. This breach allows the buyer to reject the goods and recover the price paid to the dealer.

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77. (C) Yes, he may exercise lien on the balance unless part delivery showed an intention to waive it.
Section 48 states that an unpaid seller who has made part delivery of the goods may still exercise the right of lien on the remainder. This holds true unless the circumstances of the part delivery indicate an agreement or intention to waive the lien on the entire lot. Otherwise, the seller maintains the right to retain the remaining goods.

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78. (C) Assertion (A) is true, but Reason (R) is false.
The doctrine of caveat emptor requires buyers to be cautious and examine goods, assuming risk for their choices. However, the reasoning provided is false because the Sale of Goods Act does not stipulate an absolute implied warranty for quality in all circumstances. Instead, it provides specific exceptions where the seller is held liable for quality or fitness.

79. (B) Mr. A can recover the full price paid from Mr. B due to a violation of the implied condition of title.
In every contract of sale, there is an implied condition that the seller has the legal right to sell the goods. If the goods are stolen and the seller has no title, they have breached this fundamental condition. The buyer is entitled to repudiate the contract and recover the full purchase price, regardless of the usage of goods.

80. (A) Yes, for breach of condition of fitness, as the buyer disclosed the purpose and relied on the seller.
The chemist is liable for breach of the implied condition of fitness for a particular purpose. By asking if the bottle would hold hot water, the buyer disclosed the specific purpose and relied on the seller's expertise. When the bottle burst, it proved unfit for that purpose, making the seller liable for the resulting damages and injuries sustained.

may enter into a contract of partnership if authorized by its Memorandum of Association.

(D) If the number of partners exceeds the statutory maximum limit, the partnership becomes an illegal association.

May/June 2010

23. Consider the following statements regarding a Limited Liability Partnership (LLP):

I. Every partner in an LLP is an agent of the LLP but not an agent of the other partners.

II. An LLP must have at least two individuals as Designated Partners, of whom at least one should be resident in India.

Which of the statements given above is/are correct?

(A) Only I

(B) Only II

(C) Both I and II

(D) Neither I nor II

Oct/Nov 2024

24. Match the specific Sections of the Indian Partnership Act in List I with their corresponding subject matter in List II.

List I: (Sections)

P. Section 9

Q. Section 10

R. Section 12

S. Section 13

List II: (Subject Matter)

1. Mutual rights and liabilities of partners
2. Conduct of the business
3. General duties of partners
4. Duty to indemnify for loss caused by fraud

(A) P-1, Q-2, R-4, S-3

(B) P-3, Q-1, R-4, S-2

(C) P-4, Q-2, R-3, S-1

(D) P-3, Q-4, R-2, S-1

May/June 2017

25. Notwithstanding the provisions of section 27 of the Indian Contract Act, 1872, the partners in a firm may legally structure their agreement to include which of the following conditions?

(A) A provision that absolutely prohibits any partner from legally withdrawing from the firm.

(B) A provision that a partner shall not carry on any business other than that of the firm while he is a partner.

(C) A provision that unconditionally exempts a managing partner from indemnifying the firm for intentional fraud.

(D) A provision that allows a minor to be personally liable for all third-party debts incurred by the firm.

Oct/Nov 2005

26. Which of the following is NOT an essential characteristic required to form a valid partnership under the Indian Partnership Act, 1932?

(A) A formal agreement entered into by two or more persons who are legally competent to contract.

(B) The specific objective of carrying on a business must be to generate and share profits among partners.

(C) A mutual relation of agency must exist where each partner acts as both a principal and an agent.

(D) The business must be a distinct legal entity separate from its partners.

May/June 2020

27. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): The duty of a partner to indemnify the firm for any loss caused to it by his fraud in the conduct of the business is an absolute duty.

Reason (R): The partners can legally include a specific clause in the partnership agreement to contract a partner out of his liability arising from fraud.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2015

28. Which of the following pairs correctly represents a defining feature of a Limited Liability Partnership (LLP)?

(A) Legal Status - The LLP is a body corporate and a legal entity separate from its partners.

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(D) I, II, and III

Oct/Nov 2025

6. During the ordinary course of business, a partner in a wealth management partnership firm fraudulently misrepresents an investment scheme to a high-net-worth client. The client suffers a severe financial loss and successfully sues the firm for damages. Under the legal framework governing partnerships, how must the firm address the financial liability incurred?
(A) The liability must be borne equally by all partners regardless of which specific partner committed the fraud in question.
(B) The firm is entitled to recover from the fraudulent partner the damages paid to the client due to the fraud.
(C) The firm can legally avoid payment by proving that the other partners were entirely unaware of the specific fraudulent act.
(D) The fraudulent partner's liability is strictly limited to the total amount of his capital contribution in the firm's books.

May/June 2012

7. How does Section 4 of the Indian Partnership Act, 1932 formally define "Partnership"?
(A) The relationship between individuals who have merged capital to form a separate legal entity for the purpose of trading.
(B) The relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
(C) The association of two or more persons contributing equal capital to carry out a specific assignment for a fixed duration.
(D) The mutual agreement between family members to carry on an inherited family business for the purpose of collective profit.

Oct/Nov 2014

8. According to Section 10 of the Indian Partnership Act, 1932, a partner is mandated to indemnify the firm for any loss caused by which of the following actions in the conduct of the business?
(A) Poor financial forecasting
(B) Fraud
(C) Unintentional negligence
(D) Ordinary operational errors

May/June 2019

9. Consider the following statements regarding the rights and duties of partners under Section 17:
I. After a change in the partners of a firm, the mutual rights and duties in the reconstituted firm remain the same as they were immediately before the change.
II. If a firm constituted for a fixed term continues after expiry, the mutual rights and duties remain the same as they were before the expiry.
III. When additional undertakings are carried out by a firm constituted for specific adventures, the mutual rights and duties are the same as those in respect of the original adventures.
IV. The partners are legally prohibited from having any understanding contrary to the default rules of Section 17 regarding mutual rights.
Which of the statement(s) above is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2006

10. Match the types of partnerships or legal structures in List I with their defining characteristics in List II.
List I: (Types)
P. Partnership at will
Q. Partnership for a fixed period
R. Particular partnership
S. Limited Liability Partnership (LLP)
List II: (Characteristics)
1. Formed to complete a specific job or assignment
2. Has perpetual succession and is a separate legal entity
3. Can be dissolved by any partner by giving notice in writing
4. Automatically transforms into a partnership at will if business continues after term expiry
(A) P-1, Q-4, R-2, S-3
(B) P-3, Q-1, R-4, S-2
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-2, R-3, S-1

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CHAPTER 27
Partnership Firm

May/June 2016

1. Which of the following conditions most accurately describes a "Partnership at will" under Section 7 of the Indian Partnership Act, 1932?

(A) A partnership formed exclusively for completing a single, specific infrastructure project for a public entity.

(B) A partnership wherein the partners have signed an agreement restricting dissolution for a minimum of ten years.

(C) A partnership that automatically transforms into a Limited Liability Partnership upon the mutual consent of all partners.

(D) A partnership where no provision is made by contract for its duration or determination.

Oct/Nov 2009

2. Which of the following statements concerning the mutual rights and liabilities of partners under Section 13 is incorrect, assuming there is no specific contract to the contrary?

(A) A partner is not entitled to receive remuneration for taking part in the conduct of the business unless otherwise agreed.

(B) The partners are entitled to share equally in the profits earned and must contribute equally to the losses sustained.

(C) Interest on subscribed capital can be paid out of the firm's general capital even if there are no profits.

(D) A partner making an advance beyond the agreed capital is entitled to interest at 6 per cent per annum.

May/June 2023

3. The relationship of partnership arises exclusively from a contract and not from status. Which of the following relationships does not constitute a partnership by its inherent status?

(A) Two independent entrepreneurs agreeing to share the profits of a newly established joint venture.

(B) Three colleagues forming a firm to provide consultancy services and sharing the revenue.

(C) Members of a Hindu undivided family carrying on a family business as such.

(D) A group of friends pooling funds to regularly trade in agricultural commodities for mutual profit.

Oct/Nov 2018

4. Consider the following statements regarding the financial entitlements of a partner in the absence of a specific agreement:

I. A partner who actively manages the daily operations of the firm is legally entitled to receive standard industry remuneration for taking part in the conduct of the business.

II. Where a partner is entitled to interest on the capital subscribed by him, such interest is to be paid exclusively out of the profits of the firm.

Which of the statement(s) given above is/are correct?

(A) Only I

(B) Only II

(C) Both I and II

(D) Neither I nor II

May/June 2007

5. Consider the following statements regarding partnership legal structures:

I. A traditional partnership firm is legally recognized as a separate legal entity distinct from its partners.

II. In an LLP, a partner's liability is limited to their agreed contribution and they are shielded from joint liability created by another partner's misconduct.

III. An unlisted public company is permitted to be converted into an LLP in accordance with the provisions of the LLP Act.

Which of the statement(s) above is/are correct?

(A) I and II only

(B) II and III only

(C) I and III only

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(D) Chapter XI

May/June 2014

17. Which of the following pairs regarding the rights and duties of partners is incorrectly matched according to the Indian Partnership Act?

(A) Remuneration - Automatically payable to all partners irrespective of any contract to the contrary

(B) Indemnity by firm - For payments made by a partner in the ordinary and proper conduct of business

(C) Indemnity by partner - For any loss caused to the firm by his willful neglect in the conduct of business

(D) Profit sharing - Shared equally among all partners if there is no specific understanding on the matter

Oct/Nov 2007

18. Arrange the following legislative and procedural milestones related to partnership business in India in their correct chronological order of enactment or legal evolution:

I. Limited Liability Partnership Act legally introducing the LLP concept

II. Enactment of the Indian Contract Act containing early partnership provisions

III. Enactment of the Indian Partnership Act as a dedicated statute

IV. Companies Act prescribing the framework for maximum limits on partners

Which of the following sequences represents the correct chronological order?

(A) II, III, IV, I

(B) II, III, I, IV

(C) III, II, IV, I

(D) III, IV, II, I

May/June 2025

19. The property of a partnership firm is legally deemed to include several assets. Which of the following is NOT automatically considered the property of the firm under the Indian Partnership Act?

(A) Property originally brought into the common stock of the firm by the partners at the time of formation.

(B) Property acquired by purchase or otherwise by the firm for the purposes and in the course of the business.

(C) The goodwill of the partnership business generated over the years through its commercial operations and reputation.

(D) Personal property purchased by a partner using partnership funds given to him as long-due remuneration.

Oct/Nov 2019

20. Under Section 9 of the Indian Partnership Act, 1932, a partnership is primarily characterized as a contract of 'uberrimae fidei'. What does this fundamental principle mandate regarding the general duties of partners?

(A) Partners must carry on business to the greatest common advantage, be just and faithful, and render true accounts.

(B) Partners are bound to limit their capital contributions to equal amounts regardless of their respective profit shares.

(C) Partners must ensure that the firm's total liabilities never exceed its tangible assets during any fiscal year.

(D) Partners are required to register the firm with the Registrar of Firms within six months of its legal formation.

May/June 2009

21. According to Section 18 of the Indian Partnership Act, 1932, what is the precise legal relationship of a partner with the firm concerning its business operations?

(A) A partner is exclusively an employee of the firm and works under the direct supervision of a managing director.

(B) A partner acts solely as an independent contractor providing specialized services for the firm's business operations.

(C) A partner is an agent of the firm for the purpose of the business of the firm.

(D) A partner holds the status of a separate corporate entity which is legally distinct from the partnership firm itself.

Oct/Nov 2011

22. Which of the following statements concerning the legal capacity to become a partner is incorrect?

(A) At least two persons competent to contract are necessary to form a partnership.

(B) Two separate partnership firms can directly enter into a partnership with each other because a firm is a recognized legal entity.

(C) A registered company, being a legal person,

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prudence, bind the firm even if they exceed normal authority.
(C) The standard of care required is that of a person of ordinary prudence acting in his own case under similar circumstances.
(D) A partner's authority in an emergency is rigidly restricted to acts explicitly listed in the formal partnership deed.

Oct/Nov 2017

34. Which of the following pairs regarding the consequences of a minor's election upon attaining majority is incorrectly matched?
(A) Minor elects to become a partner - Becomes personally liable for acts of the firm since his original date of admission.
(B) Minor fails to give public notice within 6 months - Automatically becomes a partner in the firm with all liabilities.
(C) Minor's share of property - Remains the same share to which he was entitled as a minor if he becomes a partner.
(D) Minor's share remains liable for firm acts done after the date of notice when he elects not to become a partner.

May/June 2008

35. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): The transferee of a partner's interest is fully entitled to interfere in the day-to-day conduct of the firm's business.
Reason (R): A transfer by a partner of his interest in the firm entitles the transferee to receive the share of profits of the transferring partner.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2013

36. Consider the following statements concerning the retirement of a partner:
I. A retiring partner and other partners shall be liable as partners to third parties for firm acts done before retirement until public notice is given.
II. The public notice of retirement may be given by either the retiring partner or the remaining partners.
III. A retiring partner is discharged from liability for acts done before his retirement if an agreement is reached between the third party, the retiring partner, and the reconstituted firm.
IV. An expelled partner is in the same position as that of a retiring partner regarding liabilities.
V. A partner retiring from a partnership at will must give notice in writing to all other partners.
Which of the statement(s) above is/are correct?
(A) I, II, and III only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2015

37. The implied authority of a partner does not empower them to unilaterally perform certain actions. In the absence of custom or usage to the contrary, which of the following acts requires express authority and cannot be performed under implied authority?
(A) Compromising or relinquishing any claim or portion of a claim filed on behalf of the firm.
(B) Engaging servants or other employees to help in the conduct of the ordinary partnership business.
(C) Receiving payments in respect of a debt owed to the firm by a third party in the normal course.
(D) Purchasing stock or inventory relevant to the normal business of the firm from regular suppliers.

Oct/Nov 2012

38. Which of the following precisely describes the legal status of a minor within a partnership framework under Section 30 of the Indian Partnership Act, 1932?
(A) A minor can be a full partner provided a legal guardian co-signs the partnership deed on behalf of the minor.
(B) A minor can be a partner but their voting rights are strictly limited to administrative

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(B) Extent of Liability - Every partner is personally liable for the wrongful business decisions of other partners.
(C) Agency Relation - Every partner is an agent of both the LLP and all other partners simultaneously.
(D) Governing Act - The operations of an LLP are exclusively governed by the Indian Partnership Act, 1932.

May/June 2013

29. If a partner carries on any business of the same nature as and competing with that of the firm without the consent of the other partners, what is the most appropriate legal consequence under Section 16?
(A) The partner must immediately forfeit his entire capital contribution to the firm.
(B) The partner is automatically expelled from the firm without the need for a majority vote.
(C) The partner is bound to pay to the firm all profits made by him in that competing business.
(D) The partner faces criminal prosecution for breach of fiduciary duty.

Oct/Nov 2021

30. Based on the following scenario, determine the legal nature of the relationship described:
X and Y jointly purchase a commercial vehicle. Initially, they use it for their personal transportation and split the fuel costs equally. Later, they decide to start a vehicle-rental business by leasing the vehicle to a logistics company and mutually agree to share the net profits. What is the precise legal nature of this evolving relationship?
(A) The joint ownership of the commercial vehicle inherently constituted a partnership from the date of the original purchase.
(B) The arrangement is merely a joint tenancy and cannot be classified as a partnership under any circumstances or conditions.
(C) It becomes a partnership only if they register a formal company to manage the vehicle lease with the proper authorities.
(D) The relationship became a partnership once they agreed to carry on the business of leasing and share the profits.

May/June 2024

31. Match the scenarios in List I with the corresponding legal principles regarding a partner's authority in List II.
List I: (Scenarios)
P. Signing a purchase agreement specifically "For and on behalf of XYZ Co."
Q. Selling perishable fruit at a loss to prevent total spoilage during transit
R. Withdrawing a suit previously filed on behalf of the firm in a civil court
S. Borrowing money to restock inventory in a typical trading firm
List II: (Legal Principles)
1. Act done under Implied Authority
2. Act where Implied Authority does not exist (Requires express authority)
3. Action taken under Authority in an Emergency
4. Valid Mode of Action to bind the firm
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-1, R-3, S-2
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2008

32. If a minor, who was admitted to the benefits of a partnership, elects to become a full partner upon attaining majority, which of the following statements correctly outlines his subsequent liability?
(A) He remains completely immune from personal liability for any acts of the firm committed during his minority period.
(B) He becomes personally liable for all acts of the firm done since he was admitted to the benefits of partnership.
(C) His personal liability is restricted exclusively to acts done by the firm after the exact date he attained majority status.
(D) His personal liability is limited strictly to double the amount of his original capital contribution as recorded in the books.

May/June 2006

33. Which of the following statements is incorrect regarding a partner's authority in an emergency under Section 21?
(A) A partner has the authority to do all acts to protect the firm from loss in an emergency situation.
(B) Acts done in an emergency, using ordinary

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May/June 2021

11. The act of a partner which is done to carry on, in the usual way, business of the kind carried on by the firm, binds the firm. In the absence of an express agreement, this legal capacity is formally known as:
(A) Absolute authority
(B) Implied authority
(C) Contingent authority
(D) Transferred authority

Oct/Nov 2010

12. Which of the following statements correctly represents the legal provision regarding the maximum number of partners permitted in a partnership firm?
(A) Section 4 of the Partnership Act, 1932 restricts the maximum number of partners to 50 for all types of businesses.
(B) The Partnership Act, 1932 mandates that the number of partners cannot exceed 20 for banking businesses and 50 for other businesses.
(C) The Central Government, using powers under the Companies Act 2013, has prescribed the maximum number of partners in a firm to be 50.
(D) There is no statutory limit on the maximum number of partners as long as the partnership deed is registered with the Registrar of Firms.

May/June 2005

13. Which of the following statements correctly outlines the statutory rules regarding the conduct of partnership business under Section 12?
(A) Every partner has a right to have access to and to inspect and copy any of the books of the firm.
(B) Any difference arising as to ordinary matters connected with the business requires the unanimous consent of all partners.
(C) A change in the nature of the business can be made by a simple majority vote of the active partners.
(D) A sleeping partner is legally barred from inspecting the books of the firm under all circumstances.

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Oct/Nov 2022

14. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): A contract of partnership is regarded as an extension of the contract of agency.
Reason (R): Every partner acts in a dual capacity, serving as both a principal for themselves and an agent for the other partners in the business of the firm.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2018

15. Mr. Raj is an active partner in a firm that manufactures and sells readymade garments. Without informing his co-partners, Mr. Raj starts a sole proprietorship business dealing in similar readymade garments in the same city and earns substantial personal profits. Under the legal framework of partnerships, what right do the co-partners hold in this scenario?
(A) They can obtain an injunction from a court to forcefully close Mr. Raj's separate readymade garments business.
(B) They can only demand that Mr. Raj resigns from the partnership immediately and forfeits his capital to the firm.
(C) They have no legal rights as Mr. Raj's proprietorship is an independent legal entity separate from the partnership.
(D) They are entitled to claim and recover all profits made by Mr. Raj in the competing garments business.

Oct/Nov 2016

16. Prior to the enactment of the Indian Partnership Act, 1932, which specific part of the Indian Contract Act, 1872 contained the law regarding partnerships?
(A) Chapter VI
(B) Chapter VII
(C) Chapter VIII

decisions and petty cash.
(C) A minor is completely barred from having any association or financial interest in a partnership firm under Indian law.
(D) A minor may be admitted to the benefits of partnership with the consent of all the partners.

May/June 2011

39. Under what specific conditions can a partner be legally expelled from a partnership firm by a majority of the partners?
(A) Only when the partner fails to attend three consecutive management meetings.
(B) Only when the partner is suspected of minor accounting errors without concrete proof.
(C) A partner can never be expelled; the firm must be entirely dissolved to remove a partner.
(D) Save in the exercise of good faith, of powers conferred by a contract between the parties.

Oct/Nov 2020

40. Consider the following statements regarding the liability of a firm for the wrongful acts of a partner under Section 26:
I. If a partner commits a wrongful act in the ordinary course of the business of the firm, causing injury to a third party, the firm is liable to the same extent as the partner.
II. The firm's liability for a partner's wrongful act is entirely dependent on whether the partner had the explicit prior written authority of all other partners.
Which of the statement(s) given above is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2022

41. Read the following scenario and answer the question that follows:
Master Tarun, aged 16, was admitted to the benefits of a partnership firm with the consent of all partners. Displeased with the profit distribution, Tarun wishes to file a lawsuit against the partners for an immediate payout of his profit share while continuing his association with the firm. Can Tarun legally initiate this suit?
(A) Yes, a minor has an unconditional and absolute right to sue the firm for his profit share at any point during his term.
(B) No, a minor may not sue the partners for his share save when severing his connection with the firm.
(C) Yes, provided his legal guardian files the suit on his behalf in a court of competent jurisdiction within the state.
(D) No, because all disputes involving minors in a partnership must strictly be resolved through mandatory arbitration.

Oct/Nov 2023

42. In order for an act or instrument executed by a partner to legally bind the partnership firm, what is the mandatory requirement regarding the mode of execution under Section 22?
(A) It must be executed solely in the personal name of the partner to ensure high individual accountability for the act.
(B) It must be countersigned by at least two independent witnesses and notarized by a gazetted officer of the state.
(C) It must be done in the firm name or in a manner implying an intention to bind the firm.
(D) It must be authenticated by the official seal of the Registrar of Firms to be considered legally valid.

May/June 2016

43. A minor admitted to the benefits of a partnership firm has the right to access the accounts and share the property and profits. However, under what specific circumstance is the minor legally permitted to sue the partners for an account or payment of his share?
(A) Only when the firm declares an annual dividend exceeding 20%.
(B) Only when severing his connection with the firm.
(C) Whenever a newly admitted partner joins the firm.
(D) The minor possesses an unrestricted right to sue the partners at any time without severing his connection.

Oct/Nov 2009

44. Read the following scenario and answer the question that follows:
Partner X in a Chennai-based firm receives a consignment of highly perishable flowers in

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ANSWERS

1. (D) A partnership where no provision is made by contract for its duration or determination.
Section 7 of the Indian Partnership Act, 1932, specifies that when no provision is made by contract for the duration of the partnership or for its determination, it is a partnership at will. This allows any partner to dissolve the firm by giving notice in writing to the other partners. It lacks a fixed term or specific undertaking.

2. (C) Interest on subscribed capital can be paid out of the firm's general capital even if there are no profits.
Under the Indian Partnership Act, interest on capital is payable to a partner only out of the profits of the firm, not from the general capital. Unless there is a contract to the contrary, partners share profits and losses equally, and are generally not entitled to remuneration for participating in the business. Interest on advances is fixed at six percent.

3. (C) Members of a Hindu undivided family carrying on a family business as such.
The relationship of partnership is created through a contract between individuals and not by their status. Members of a Hindu undivided family carrying on a family business or Burmese Buddhist husband and wife carrying on business are excluded from the definition of partnership under Section 5 because their relationship stems from status or birth, not mutual agreement.

4. (B) Only II
Subject to any contract, partners are not entitled to receive remuneration for taking part in the firm's business. However, if an agreement allows for interest on capital, such interest must be paid exclusively out of profits. This ensures that the capital base is preserved unless the business generates surplus income to justify such interest payments to the partners.

5. (B) II and III only
A traditional partnership is not a separate legal entity distinct from its partners, whereas a Limited Liability Partnership offers corporate personality and limited liability. Under the LLP Act, partners are protected from the misconduct of others. Furthermore, unlisted public companies and private companies are permitted to convert into LLPs by following the specific procedures and requirements mentioned in the statute.

6. (B) The firm is entitled to recover from the fraudulent partner the damages paid to the client due to the fraud.
Every partner is legally mandated to indemnify the firm for any loss caused to it by their fraud in the conduct of the business. While the firm is liable to third parties for a partner's wrongful acts in the ordinary course of business, it retains the right to recover those specific damages from the partner who committed the fraud.

7. (B) The relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
Section 4 defines partnership as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. This definition emphasizes three essential elements: an agreement between persons, the sharing of profits from a business, and the existence of a mutual agency relationship among the partners involved.

8. (B) Fraud
Section 10 explicitly requires every partner to indemnify the partnership firm for any financial loss incurred due to their fraudulent actions during the conduct of the business. This duty is absolute and cannot be excluded by any agreement to the contrary. It ensures that the firm is protected from dishonest acts committed by an individual partner against the collective interest.

9. (A) I, II, and III only
Section 17 provides that when a firm's constitution changes, or it continues after a fixed term, or carries out additional undertakings, the mutual rights and duties of the partners remain the same as they were before, subject to any agreement. This ensures continuity in the legal

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(C) The minor cannot be made personally liable for the acts of the firm under the provisions of the Act.
(D) A minor cannot be adjudicated as an insolvent for the debts of the firm while he remains a minor.

Oct/Nov 2014

50. Read the following scenario and answer the question that follows:
Mr. Gupta, a partner in a functioning firm, legally transfers his entire interest in the partnership to his nephew, Aman. Sometime later, the partners decide to mutually dissolve the firm. What specific right is Aman legally entitled to exercise upon the dissolution of the partnership?
(A) Aman is entitled to take over the role of the managing partner to oversee the final liquidation of the firm's assets.
(B) Aman is entitled to halt the dissolution process by filing an immediate injunction in a court of competent jurisdiction.
(C) Aman is entitled to a share in the firm's assets and the right to verify accounts to ascertain that share.
(D) Aman is legally required to personally settle all the outstanding third-party debts of the firm upon its dissolution.

May/June 2019

51. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): Under no circumstances can a minor be made personally liable for the acts of the partnership firm while he remains a minor.
Reason (R): A minor is not competent to enter into a contract, rendering him ineligible to enter into a contract of partnership as a principal party.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2006

52. In the absence of any usage or custom of trade to the contrary, consider the following acts performed by a partner:
I. Submit a dispute relating to the business of the firm to arbitration.
II. Open a banking account on behalf of the firm in their own name.
III. Withdraw a suit or proceeding filed on behalf of the firm.
IV. Acquire or dispose of immovable property on behalf of the firm.
V. Enter into a partnership on behalf of the firm.
Which of the above actions fall outside the scope of implied authority and require express authority?
(A) I, II, and IV only
(B) II, III, IV, and V only
(C) I, III, and V only
(D) I, II, III, IV, and V

May/June 2021

53. Consider the following statements regarding the doctrine of 'holding out' under Section 28:
I. A person who by words or conduct represents himself to be a partner is liable as a partner to anyone who has given credit to the firm on the faith of such representation.
II. A person is liable under holding out whether or not he knows that the representation has reached the person giving credit.
III. The estate of a deceased partner is liable to the firm for acts done after his death if the firm continues to use the old firm name.
IV. The doctrine of holding out applies exclusively to individuals who were previously actual partners in the firm.
Which of the statement(s) above is/are correct?
(A) I and II only
(B) II and III only
(C) I, II, and IV only
(D) I, III, and IV only

Oct/Nov 2010

54. Arrange the procedural sequence of events applicable when a minor, admitted to the benefits of partnership, attains majority and actively chooses not to become a partner:
I. The minor gives public notice declaring his intention not to become a partner.
II. The minor attains the age of majority

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Kolkata on behalf of the firm. Realizing that the flowers will rot before completing the journey to Chennai, X sells them in Kolkata at a price lower than the prevailing market rate in Chennai. Under the Indian Partnership Act, how is X's action legally evaluated?

(A) X is personally liable for the price difference because selling below market rate constitutes a fraudulent act against the firm.
(B) The sale is void ab initio because X exceeded his express geographical authority by conducting business in Kolkata.
(C) The firm can legally Woodside the sale and demand the return of the flowers from the buyer located in Kolkata.
(D) X's action binds the firm as he acted in an emergency to protect the firm from greater loss.

May/June 2023

45. Consider the following statements regarding a person admitted to the benefits of a partnership as a minor who elects not to become a partner upon attaining majority:

I. His rights and liabilities continue to be those of a minor up to the date he gives public notice.
II. His share shall not be liable for any acts of the firm done after the date of the notice.
III. He is perpetually barred from suing the partners for his share of the property and profits.

Which of the statement(s) above is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2018

46. Which of the following statements correctly interprets the provisions of Section 20 regarding the extension and restriction of a partner's implied authority?

(A) Partners are strictly prohibited from restricting the implied authority of any partner through any form of mutual agreement.
(B) Acts done within implied authority bind the firm unless the third party knows of the specific restriction.
(C) A third party is always bound by a secret restriction on a partner's implied authority, even if they act in good faith.
(D) The extension of implied authority requires mandatory approval and registration from the Registrar of Firms in the state.

May/June 2007

47. Match the Sections of the Indian Partnership Act in List I with their respective provisions in List II.

List I: (Sections)
P. Section 30
Q. Section 32
R. Section 33
S. Section 34

List II: (Provisions)
1. Retirement of a partner
2. Minor admitted to the benefits of partnership
3. Insolvency of a partner
4. Expulsion of a partner

(A) P-1, Q-2, R-3, S-4
(B) P-2, Q-1, R-4, S-3
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-3, R-2, S-1

Oct/Nov 2025

48. Which of the following pairs correctly maps the liability of the firm to the specific operational scenario under the Indian Partnership Act, 1932?

(A) Wrongful acts of a partner causing loss to a third party - Firm is completely exempt from liability.
(B) Misapplication of third-party property received by the firm - Firm is liable to make good the loss.
(C) Holding out as a partner by a stranger - The existing partners are personally liable for the stranger's debts.
(D) Transferee of a partner's interest - Firm is liable to allow the transferee to directly manage the business.

May/June 2012

49. Which of the following statements regarding the legal liabilities of a minor admitted to the benefits of a partnership is incorrect?

(A) The minor is jointly and severally liable with other partners for all third-party debts incurred during his minority.
(B) The minor's share in the firm is liable for the acts of the firm during the period of his benefit.

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engaged in the retail sale of food items and daily household groceries. Partner P, without consulting the other partners, signs a contract in the firm's name to purchase an inventory of heavy industrial machinery components from a supplier, taking a large cash advance. Are the other partners legally bound by this transaction?

(A) Yes, because a partner is an agent of the firm and his actions universally bind all other partners in every circumstance.
(B) No, because the purchase falls outside the ordinary business of grocery sales and the partner's implied authority.
(C) Yes, because obtaining cash advances for purchases is always within a partner's implied authority regardless of business type.
(D) No, because all contracts exceeding Rs. 10,000 require the mandatory physical signatures of all partners to be valid.

May/June 2025

61. Consider the following statements regarding the liability for acts of partners done after the dissolution of a firm under Section 45:

I. Partners continue to be liable to third parties for acts done after dissolution until a public notice is given.
II. Any act done by a partner which would have been an act of the firm if done before dissolution binds the firm until public notice is given.
III. The estate of a partner who dies is not liable for acts done after the date on which he ceases to be a partner, even without public notice.
IV. The estate of an adjudicated insolvent partner is fully liable for post-dissolution acts until a public notice is published.
V. An unknown dormant partner who retires is not liable for acts done after the date he ceases to be a partner.

Which of the statement(s) above is/are correct?
(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2019

62. Read the following scenario and answer the question that follows:
'QuickBuild Associates', a partnership firm engaged in construction, decides not to register with the Registrar of Firms due to mutual trust among partners. They successfully execute a building contract for a corporate client, but the client refuses to pay the final invoice of Rs. 10 Lakhs. The firm decides to file a lawsuit to recover the dues. What will be the immediate legal outcome regarding the admissibility of this suit?

(A) The suit will be blocked because an unregistered firm cannot enforce a contractual right against a third party.
(B) The suit will be admitted immediately by the court because the construction service was fully and successfully rendered.
(C) The suit will be admitted only if the firm pays a late registration penalty and registers during the trial.
(D) The suit will be converted into a criminal fraud case against the corporate client automatically by the magistrate.

May/June 2009

63. Consider the following statements distinguishing between the 'dissolution of a firm' and the 'dissolution of a partnership':

I. Dissolution of a firm means there is a breakdown in the relationship between all the partners, resulting in the termination of the firm.
II. Dissolution of a partnership involves only a change in the business relationship among the partners, and the firm continues to run.
III. The retirement of a single partner from a firm with multiple partners is classified as the dissolution of the firm.
IV. Section 39 defines the dissolution of a partnership between all the partners as the "dissolution of the firm".

Which of the statement(s) above is/are correct?
(A) I, II, and IV only
(B) I, II, and III only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2011

64. Read the following scenario and answer the question that follows:
Partner M of a reputed firm dies unexpectedly on May 1st. The surviving partners continue the business under the same firm name but fail to publish any public notice of M's death or the firm's dissolution. On June 15th, a major supplier

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or gains knowledge of his admission to benefits.

III. The minor's share ceases to be liable for any acts of the firm done after the date of the notice.

IV. The minor becomes entitled to sue the partners for his share of the property and profits.

Which of the following represents the correct sequence?

(A) I, II, III, IV
(B) II, III, I, IV
(C) II, I, III, IV
(D) III, II, IV, I

May/June 2005

55. After attaining majority, or obtaining knowledge that he had been admitted to the benefits of partnership (whichever is later), a minor is granted a specific statutory period to give public notice electing whether to become a partner or not. What is this time duration?

(A) Three months
(B) Six months
(C) Nine months
(D) Twelve months

Oct/Nov 2022

56. In a trading concern selling groceries, the implied authority of a partner typically encompasses several operational acts. Which of the following is NOT considered an act within the scope of implied authority for such a firm?

(A) Admitting a liability in a suit or proceeding against the firm in a court of law.
(B) Pledging goods of the firm as security for borrowed money used for business operations.
(C) Drawing, accepting, and endorsing negotiable instruments such as bills of exchange for the firm.
(D) Employing a solicitor or lawyer to defend a legal action brought against the firm by a third party.

May/June 2018

57. Consider the following statements regarding the insolvency of a partner under Section 34:

I. If a partner is adjudicated as an insolvent, he ceases to be a partner in the firm from the date on which the order of adjudication is made.

II. The estate of a partner so adjudicated is legally liable for any act of the firm done after the date on which the order of adjudication is made.

Which of the statement(s) given above is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

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Oct/Nov 2016

58. Consider the following statements concerning the misapplication of money or property by partners under Section 27:

I. If a partner, acting within his apparent authority, receives money from a third party and misapplies it, the firm is liable to make good the loss.

II. If the firm receives property from a third party in the course of business, and it is misapplied by a partner while in the firm's custody, the firm is liable.

III. The firm is exempt from liability if the misapplication was done by a junior partner without the knowledge of the managing partner.

Which of the statement(s) above is/are correct?

(A) I and III only
(B) I and II only
(C) II and III only
(D) I, II, and III

May/June 2014

59. A partner may retire from a partnership firm through several legitimate modes. Which of the following is NOT a recognized method for the retirement of a partner under Section 32 of the Indian Partnership Act?

(A) With the consent of all other partners.
(B) In accordance with an express agreement by the partners.
(C) By simply absenting himself from the firm's premises for a continuous period of 30 days.
(D) Where the partnership is at will, by giving notice in writing to all other partners of his intention to retire.

Oct/Nov 2007

60. Read the following scenario and answer the question that follows:

Firm 'Alpha Grocers' is explicitly and exclusively

May/June 2020

69. Consider the following specific circumstances related to the effect of non-registration of a firm under Section 69:

I. To firms which have no place of business in the territories to which the Act extends.
II. To any suit or claim of set-off not exceeding one hundred rupees in value.
III. To the enforcement of any right or power to realize the property of a dissolved firm.
IV. To firms whose places of business are situated in areas to which, by notification, the Chapter on registration does not apply.
V. To a suit filed by the firm against a third party for breach of a standard supply contract valued at Rs. 500,000.

In which of the circumstances mentioned above do the disabilities of non-registration NOT apply?

(A) I, II, III, and V only
(B) I, II, III, and IV only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2015

70. Section 69 of the Indian Partnership Act imposes stringent disabilities on unregistered firms. However, certain rights remain unaffected by non-registration. Which of the following rights is legally obstructed (i.e., CANNOT be exercised) by an unregistered firm?

(A) The enforcement of a right to sue for the dissolution of the firm by any of the partners.
(B) The right to sue for the accounts of a dissolved firm to settle the distribution of assets.
(C) A suit by an unregistered firm against a third party to enforce a right arising from a contract.
(D) The power of an official assignee or receiver to realize the property of an insolvent partner.

May/June 2013

71. Read the following scenario and answer the question that follows:

Partner Z is officially adjudicated as an insolvent by a competent court on August 15th. The partnership firm is not dissolved and continues its business pursuant to a prior contract. On September 10th, the firm incurs a massive debt due to a failed commercial venture. The creditors attempt to attach the personal estate of Z to recover the dues. Is Z's estate legally liable for this new debt?

(A) Yes, because Z was a founding partner of the firm and remains responsible for its continued commercial survival.
(B) Yes, the estate remains liable until a formal public notice of Z's insolvency is published in the official gazette.
(C) No, but only if Z's legal heirs expressly disown the specific debt in writing to all the existing creditors.
(D) Z's estate is not liable for firm acts done after the date of the order adjudicating him as an insolvent.

Oct/Nov 2021

72. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): Even after the dissolution of a firm, the partners must ensure a public notice is given to terminate their ongoing liability to third parties.

Reason (R): Without public notice, any act done by a partner which would have been an act of the firm if done before dissolution, continues to legally bind the partners to third parties.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2024

73. Read the following scenario and answer the question that follows:

Mr. Hari is a partner in an unregistered firm. Due to irreconcilable differences and suspected financial mismanagement by the managing partner, Hari wishes to exit the business and shut it down. Can Hari legally file a suit in a competent court for the dissolution of this unregistered firm and the subsequent settlement of accounts?

(A) No, a partner of an unregistered firm is entirely barred from filing any civil suit

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extends credit to the firm based on its past reputation. The firm defaults on the payment. Can the supplier claim the outstanding amount from the personal estate of the deceased Partner M?

(A) The estate of a deceased partner is not liable for firm acts done after his death, even without public notice.
(B) Yes, because public notice was not given as required by law, rendering the estate liable to all current creditors.
(C) Yes, because the firm continued to trade under the old name, creating a holding out scenario for the deceased's estate.
(D) No, but only if M's heirs proactively informed the specific supplier of his death before the credit was extended.

May/June 2010

65. Read the following scenario and answer the question that follows:

Mr. K retires from a partnership firm on March 1st. Neither Mr. K nor the remaining partners issue a public notice regarding his retirement. On April 10th, the reconstituted firm enters into a credit contract with a supplier who was unaware of Mr. K's retirement. The firm subsequently defaults on the payment. What is Mr. K's liability in this transaction?

(A) Mr. K is completely absolved of liability because the credit transaction occurred after his physical departure from the firm.
(B) Mr. K is liable only if the supplier can prove he actively participated in negotiating the contract on April 10th.
(C) Mr. K is liable as a partner because no public notice of his retirement was given as required.
(D) Mr. K is liable for only 50% of the default amount as a retired partner whose name remains on the records.

Oct/Nov 2024

66. Consider the following statements regarding the legal disabilities of an unregistered partnership firm:

I. A partner of an unregistered firm cannot file a suit against the firm or other partners to enforce a right arising from a contract conferred by the Act.
II. An unregistered firm is permitted to claim a set-off in a court proceeding arising from a contract against a third party.
III. The enforcement of any right to realize the property of a dissolved firm is not affected by the firm's non-registration.

Which of the statement(s) above is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2017

67. Read the following scenario and answer the question that follows:

A partnership firm legally operates two distinct and separate businesses: a pharmaceutical manufacturing unit and a retail liquor distribution network. The State Government suddenly introduces a total prohibition law, rendering the sale of liquor strictly unlawful. How does this legislative event impact the legal existence of the partnership firm?

(A) The firm is immediately and compulsorily dissolved in its entirety regardless of its other lawful business units.
(B) The firm must suspend all operations for six months while it restructures its business model to comply with the law.
(C) The firm is not dissolved; it can continue the pharmaceutical business if the illegal business is separable.
(D) The partners are automatically subjected to criminal prosecution, which results in the firm's dissolution by court order.

Oct/Nov 2005

68. Subject to a contract between the partners, consider the following contingencies for the dissolution of a firm under Section 42:

I. The expiry of the fixed term for which the partnership was constituted.
II. The completion of the specific adventure or undertaking for which the firm was constituted.
III. The death of a partner.

Upon the happening of which of the above contingencies is a firm dissolved?

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

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carried on.

IV. If the firm is carrying on more than one separate businesses and one becomes illegal, the entire firm is compulsorily dissolved.

V. By mutual agreement between a simple majority of partners.

In which of the scenarios mentioned above is a firm compulsorily dissolved?

(A) I, II, and IV only
(B) I, II, and III only
(C) II, III, and V only
(D) I, III, and IV only

May/June 2015

79. Read the following scenario and answer the question that follows:

Mr. A, Mr. B, and Mr. C are partners in an active firm. Due to a tragic accident, Mr. C suffers severe brain trauma and is declared to be of permanently unsound mind. Despite this, A and B wish to continue the business, but A eventually feels the firm cannot function properly and wants to dissolve it against B's wishes. What legal recourse is available to A?

(A) A can unilaterally dissolve the firm by simply sending a formal text message or written notice to B immediately.
(B) A can file a suit for dissolution on the ground that a partner has become of permanently unsound mind.
(C) A has no legal recourse and is permanently bound to continue the partnership with B under the existing deed.
(D) A must forcibly expel C from the firm without court intervention to continue the business as a duo with B.

Oct/Nov 2012

80. What is the primary legal consequence for a partnership firm that fails to register itself with the Registrar of Firms, concerning its dealings with external entities?

(A) No suit to enforce a right arising from a contract shall be instituted by the firm against any third party.
(B) The firm is treated as an illegal association and its assets are liable to be seized by the state government.
(C) The firm cannot be sued by any third party for breach of contract due to its lack of formal registration.
(D) The individual partners enjoy limited liability protection similar to that of a registered corporate company.

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against the firm or its partners.
(B) Yes, the right to sue for dissolution or accounts is exempt from the disabilities of non-registration.
(C) No, he must first register the firm unilaterally with the Registrar of Firms before approaching a competent court.
(D) Yes, but only if the managing partner gives formal written consent for the dissolution suit to be filed.

Oct/Nov 2008

74. Match the legal concepts in List I with their accurate descriptions in List II.
List I: (Legal Concepts)
P. Minor's legal position
Q. Dissolution of a firm
R. Reconstitution of a partnership
S. Unregistered firm's disability
List II: (Descriptions)
1. Breakdown of relationship between all partners leading to firm termination
2. Cannot institute a suit against a third party to enforce a contract
3. Admitted to benefits but not personally liable for firm acts
4. Change in business relationship among partners without terminating the firm
(A) P-1, Q-2, R-3, S-4
(B) P-4, Q-3, R-2, S-1
(C) P-2, Q-4, R-1, S-3
(D) P-3, Q-1, R-4, S-2

May/June 2006

75. Consider the following conditions under which a court may dissolve a firm on the filing of a suit by a partner under Section 44:
I. A partner has become of unsound mind.
II. A partner (other than the partner suing) wilfully or persistently commits a breach of agreements in relation to the management of the firm's affairs.
III. The business of the firm cannot be carried on except at a loss.
IV. A partner transfers a negligible 2% of his interest in the firm to a third party.
Which of the statement(s) above is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2017

76. Read the following scenario and answer the question that follows:
Five individuals form a partnership firm with a clearly drafted partnership deed that explicitly states the firm can only be dissolved upon the occurrence of a specific milestone event. However, all five partners mutually decide to shut down the business and dissolve the firm immediately, well before the specified event occurs. Can they legally execute this dissolution?
(A) No, dissolution strictly requires a court mandate regardless of the unanimous wishes of the partners involved.
(B) No, they are legally bound to wait until the specific milestone event occurs as stated in the signed deed.
(C) Yes, provided they obtain prior clearance and a certificate of no objection from the Registrar of Companies.
(D) A firm may be dissolved with the consent of all the partners or in accordance with a contract between them.

May/June 2008

77. Consider the following rights that may or may not be affected by the non-registration of a firm:
I. The enforcement of any right to sue for the dissolution of a firm.
II. The right to sue for the accounts of a dissolved firm.
III. The power of an official assignee to realize the property of an insolvent partner.
IV. The right to institute a suit against a third party to recover a routine outstanding trade debt.
Which of the rights mentioned above are NOT affected by non-registration?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2013

78. A partnership firm may undergo compulsory dissolution in certain circumstances. Consider the following scenarios:
I. If all the partners are adjudicated insolvent.
II. If all the partners except one are adjudicated insolvent.
III. By the happening of any event which makes it unlawful for the business itself to be

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relationship. However, partners are always free to change these terms through mutual contract.

10. (C) P-3, Q-4, R-1, S-2
Partnerships are categorized based on duration and purpose. A partnership at will can be dissolved by notice, while a fixed-period partnership continues until the term expires. A particular partnership is formed for a specific assignment. In contrast, a Limited Liability Partnership is a body corporate with perpetual succession and a separate legal identity, distinct from the traditional partnership model.

11. (B) Implied authority
The authority of a partner to bind the firm by acts done in the usual course of business is known as implied authority under Section 19. If an act is done to carry on business of the kind usually carried on by the firm, it binds the partnership. This principle facilitates commercial operations by allowing partners to act as agents for one another.

12. (C) The Central Government, using powers under the Companies Act 2013, has prescribed the maximum number of partners in a firm to be 50.
While the Indian Partnership Act is silent on the maximum number of partners, Section 464 of the Companies Act, 2013, provides the regulatory framework. Currently, the Central Government has prescribed a limit of fifty partners for any association or partnership through the Companies (Miscellaneous) Rules. Exceeding this limit makes the association illegal unless it is registered under the Companies Act.

13. (A) Every partner has a right to have access to and to inspect and copy any of the books of the firm.
According to Section 12, every partner, whether active or dormant, has a statutory right to access, inspect, and copy any of the firm's books. Ordinary business matters are decided by a majority, but fundamental changes in the nature of the business require unanimous consent. This ensures transparency and protects the interests of all partners involved in the collective enterprise.

14. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Partnership law is essentially an extension of the law of agency. Each partner acts in a dual capacity as both a principal and an agent. When a partner acts in the business of the firm, they bind the other partners as their agent and are simultaneously bound by the acts of other partners as a principal. This mutual agency is crucial.

15. (D) They are entitled to claim and recover all profits made by Mr. Raj in the competing garments business.
If a partner carries on any business of the same nature as and competing with that of the firm without the consent of the other partners, they are legally bound to account for and pay over to the firm all profits made in that business. This prevents partners from utilizing their position and knowledge to compete against the partnership firm's interests.

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16. (D) Chapter XI
Before the dedicated Indian Partnership Act was enacted in 1932, the law governing partnership relationships in India was contained within Chapter XI of the Indian Contract Act, 1872. This chapter, comprising sections 239 to 266, was subsequently repealed to provide a more comprehensive and specialized statutory framework for partnership firms through the introduction of the new Act in 1932.

17. (A) Remuneration - Automatically payable to all partners irrespective of any contract to the contrary
Partners are generally not entitled to receive remuneration for taking part in the conduct of the business unless there is a specific contract providing for it. While they share profits equally in the absence of an agreement, the right to a salary or commission is not automatic. The duties of indemnity for neglect and sharing losses equally are standard statutory provisions.

18. (A) II, III, IV, I
The legal evolution began with the Indian Contract Act in 1872, which originally housed partnership provisions. The specialized Indian Partnership Act followed in 1932. Subsequently,

75. (A) I, II, and III only
A court may dissolve a firm if a partner becomes of unsound mind, persistently breaches management agreements, or if the business can only be carried on at a loss. However, a transfer of a tiny two percent interest is generally insufficient; the Act specifies dissolution when a partner transfers their entire interest or allows it to be charged for personal debts.

76. (D) A firm may be dissolved with the consent of all the partners or in accordance with a contract between them.
Under Section 40, a partnership firm may be dissolved at any time with the consent of all the partners. This right to dissolve by mutual agreement exists regardless of any milestone events or fixed terms specified in the original partnership deed. Partners have the ultimate collective authority to end their business relationship whenever they unanimously decide to shut down operations.

77. (A) I, II, and III only
Non-registration does not affect the right of any partner to sue for the dissolution of the firm or for the accounts of a dissolved firm. It also does not impact the power of an official assignee or receiver to realize the property of an insolvent partner. However, it does specifically prohibit the firm from suing third parties to recover trade debts.

78. (B) I, II, and III only
A firm is compulsorily dissolved if all partners, or all partners except one, are adjudicated as insolvent. It is also dissolved by the occurrence of any event that makes the carrying on of the firm's business unlawful. However, if only one of several businesses becomes illegal, the firm is not necessarily dissolved if the lawful business can be continued independently.

79. (B) A can file a suit for dissolution on the ground that a partner has become of permanently unsound mind.
Since Mr. C has been declared of permanently unsound mind, Partner A has the legal right to file a suit in a competent court for the dissolution of the firm under Section 44. This ground allows the court to intervene and terminate the partnership when a partner's mental condition prevents them from fulfilling their duties, regardless of dissent.

80. (A) No suit to enforce a right arising from a contract shall be instituted by the firm against any third party.
The primary legal consequence of failing to register a partnership firm is that the firm cannot institute a suit in any court to enforce a right arising from a contract against a third party. While third parties can still sue the unregistered firm, the firm's own legal capacity to seek judicial enforcement of its contractual rights is severely restricted.

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a partner from liability for fraud would be legally invalid, as it contradicts the fundamental requirement of good faith.

28. (A) Legal Status - The LLP is a body corporate and a legal entity separate from its partners.
A Limited Liability Partnership is a body corporate and a legal entity separate from its partners, as provided by the LLP Act, 2008. Unlike a traditional partnership, the liability of partners in an LLP is limited to their agreed contribution. Furthermore, a partner in an LLP is an agent of the entity but not of the other partners.

29. (C) The partner is bound to pay to the firm all profits made by him in that competing business.
Section 16 stipulates that if a partner engages in a business that is of the same nature as and competes with the firm's business without consent, they must pay all profits earned from that business to the firm. This legal consequence is designed to prevent conflicts of interest and ensure that partners do not profit personally at the expense of the collective.

30. (D) The relationship became a partnership once they agreed to carry on the business of leasing and share the profits.
While joint ownership of property does not by itself create a partnership, the relationship transforms when the owners agree to carry on a business for profit. In this scenario, once X and Y decided to use the vehicle for a rental business and share the net profits, they fulfilled the essential criteria of partnership: an agreement to conduct business and share profits.

31. (C) P-4, Q-3, R-2, S-1
Partners possess implied authority for usual business acts, like borrowing in a trading firm. Emergency authority allows actions, like selling perishable goods, to prevent loss. However, certain acts, like withdrawing a lawsuit, are excluded from implied authority and require express permission. To bind the firm, acts must be done in the firm name or with an intention to bind the collective partnership.

32. (B) He becomes personally liable for all acts of the firm done since he was admitted to the benefits of partnership.
When a person who was admitted to the benefits of a partnership as a minor elects to become a partner, they become personally liable to third parties for all acts of the firm done since they were first admitted to those benefits. This retrospective liability ensures that the person assumes full responsibility for the firm's obligations incurred during their association.

33. (D) A partner's authority in an emergency is rigidly restricted to acts explicitly listed in the formal partnership deed.
Section 21 grants a partner the authority to do all acts necessary to protect the firm from loss in an emergency, as would be done by a person of ordinary prudence in their own case. This authority is not restricted to the partnership deed and overrides normal limits to ensure the firm's survival. Such acts bind the firm if reasonable.

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34. (D) Minor's share remains liable for firm acts done after the date of notice when he elects not to become a partner.
If a minor elects not to become a partner and gives public notice, their share is not liable for any acts of the firm done after the date of that notice. The statement suggesting the share remains liable for subsequent acts is incorrect. Conversely, failure to give notice within six months results in the minor automatically becoming a full partner with personal liability.

35. (D) Assertion (A) is false, but Reason (R) is true.
A transferee of a partner's interest does not have the right to interfere in the conduct of the business, require accounts, or inspect the firm's books while the firm is continuing. They are only entitled to receive the share of profits of the transferring partner. Therefore, the assertion that they can interfere in daily management is false, while the reason is true.

36. (D) I, II, III, IV, and V
A retiring partner remains liable to third parties for acts done before retirement until public notice is issued. Notice can be given by the retiring partner or any remaining partner. Liability for past acts can be discharged through an agreement with third parties. These same rules generally

apply to expelled partners and partners retiring from a partnership at will through written notice.

37. (A) Compromising or relinquishing any claim or portion of a claim filed on behalf of the firm.
Under Section 19, certain acts fall outside the scope of a partner's implied authority unless there is a custom of trade to the contrary. These include submitting a dispute to arbitration, opening a bank account in their own name on behalf of the firm, and compromising or relinquishing any claim or portion of a claim that was filed by the partnership firm.

38. (D) A minor may be admitted to the benefits of partnership with the consent of all the partners.
According to Section 30, a minor cannot be a partner in a firm because they are incompetent to contract. However, with the consent of all existing partners, a minor may be admitted to the benefits of a partnership. This allows the minor to share in the profits and property of the firm without incurring personal liability for the firm's debts.

39. (D) Save in the exercise of good faith, of powers conferred by a contract between the parties.
A partner cannot be expelled from a firm by any majority of the partners unless a power to do so has been conferred by a contract between the partners and the power is exercised in good faith. Good faith requires that the expulsion is in the interest of the firm, the partner is served a notice, and is heard.

40. (A) Only I
Section 26 states that where loss or injury is caused to a third party by the wrongful act or omission of a partner acting in the ordinary course of business, the firm is liable to the same extent as the partner. This liability does not depend on explicit prior authority from other partners but arises from the principle of mutual agency.

41. (B) No, a minor may not sue the partners for his share save when severing his connection with the firm.
A minor admitted to the benefits of a partnership has a right to their share of property and profits. However, the minor is legally prohibited from suing the partners for an account or payment of their share except when they are severing their connection with the firm. In such a case, the amount of their share is determined by valuation.

42. (C) It must be done in the firm name or in a manner implying an intention to bind the firm.
Section 22 requires that for an act or instrument to bind a firm, it must be done or executed by a partner or other person on behalf of the firm in the firm name, or in any other manner expressing or implying an intention to bind the firm. This ensures third parties know they are dealing with the collective partnership.

43. (B) Only when severing his connection with the firm.
Although a minor is entitled to a share of profits, they cannot initiate legal action against the partners for payment or an accounting while remaining associated with the firm. The statutory right to sue the partners for their share arises only when the minor decides to sever their connection with the partnership, at which point the accounts must be settled.

44. (D) X's action binds the firm as he acted in an emergency to protect the firm from greater loss.
Partner X's decision to sell perishable goods at a lower price to prevent total loss is a valid exercise of emergency authority under Section 21. In an emergency, a partner has the power to do all acts to protect the firm from loss that a person of ordinary prudence would do in their own case. Therefore, X's action is binding.

45. (A) I and II only
When a minor elects not to become a partner, their rights and liabilities remain those of a minor until they give public notice. After the notice is issued, their share is no longer liable for acts of the firm. They also retain the right to sue the partners for their share of the firm's property and profits as part of severing ties.

46. (B) Acts done within implied authority bind the firm unless the third party knows of the specific restriction.
Partners may extend or restrict a partner's implied authority through a mutual contract. However, any restriction on implied authority is ineffective against a third party unless the third party knows of the restriction. This protects bona

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fide third parties who deal with a partner under the reasonable assumption that the partner possesses the standard implied authority typical for the business.

47. (B) P-2, Q-1, R-4, S-3
The Indian Partnership Act addresses various procedural scenarios. Section 30 addresses the admission of minors to the benefits of partnership. Section 32 outlines the procedures related to the retirement of a partner. Section 33 provides conditions under which a partner can be expelled. Finally, Section 34 details the legal consequences and termination of status following the insolvency of a partner in the firm.

48. (B) Misapplication of third-party property received by the firm - Firm is liable to make good the loss.
Under Section 27, if a partner receives money or property from a third party in the course of business and misapplies it, the firm is liable to make good the loss. While the firm is also liable for wrongful acts under Section 26, it is not liable for acts of strangers holding out unless the partners themselves represent the stranger as a partner.

49. (A) The minor is jointly and severally liable with other partners for all third-party debts incurred during his minority.
A minor admitted to the benefits of a partnership is not personally liable for the acts of the firm. Only the minor's share in the partnership property and profits is liable for the firm's obligations. Therefore, the statement that a minor is jointly and severally liable with other partners is incorrect, as personal liability does not attach to minors.

50. (C) Aman is entitled to a share in the firm's assets and the right to verify accounts to ascertain that share.
Upon the dissolution of a partnership, the transferee of a partner's interest is legally entitled to receive the share of the firm's assets to which the transferring partner was entitled. To ascertain that specific share, the transferee also has the right to an account from the date of the dissolution. However, they cannot participate in the management or liquidation process.

51. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A minor cannot be made personally liable for the acts of the firm because they lack the legal capacity to enter into a contract of partnership as a principal. Under Indian law, an agreement with a minor is void. Consequently, while a minor can enjoy the benefits of a partnership, they are shielded from personal liability for the firm's debts.

52. (D) I, II, III, IV, and V
Section 19(2) lists acts that do not fall within a partner's implied authority, including submitting disputes to arbitration, opening bank accounts in their own name, compromising claims, withdrawing legal proceedings, admitting liability in suits, acquiring or transferring immovable property, and entering into other partnerships. These actions require express authority from all partners to bind the firm.

53. (A) I and II only
Holding out occurs when a person represents themselves as a partner, making them liable to those who gave credit based on that faith. This liability applies even if the person did not know the representation reached the creditor. However, the estate of a deceased partner is not liable for acts done after death, and the doctrine can apply to anyone.

54. (C) II, I, III, IV
The process begins when the minor attains majority or learns of their admission. They then have six months to give public notice of their choice. Once they give notice of their intention not to become a partner, their share ceases to be liable for the firm's acts. Finally, they become entitled to sue the partners to recover their share of property and profits.

55. (B) Six months
A minor who has been admitted to the benefits of a partnership must decide whether to become a partner within six months of attaining majority or obtaining knowledge of their admission, whichever is later. During this period, the minor can give public notice of their election. If they fail to give notice, they are deemed to have become a full partner.

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56. (A) Admitting a liability in a suit or proceeding against the firm in a court of law.
Admitting a liability in a suit or proceeding against the firm is specifically excluded from the implied authority of a partner under Section 19. While a partner in a trading firm can pledge goods, draw negotiable instruments, and employ legal counsel for defense, they cannot unilaterally admit legal liability without express authority from the other partners involved in the business.

57. (A) Only I
When a partner is adjudicated as an insolvent, they cease to be a partner in the firm from the date of the adjudication order. Crucially, the estate of the insolvent partner is not liable for any acts of the firm performed after that date. Likewise, the firm is not liable for any acts of the insolvent partner committed after the date of adjudication.

58. (B) I and II only
The firm is liable if a partner acting within their apparent authority receives and misapplies money from a third party. Similarly, the firm is responsible if it receives money or property in the course of business which is subsequently misapplied by any partner while in the firm's custody. The knowledge of the managing partner or seniority of the partner is legally irrelevant here.

59. (C) By simply absenting himself from the firm's premises for a continuous period of 30 days.
A partner can legally retire with the consent of all partners, through an express agreement, or by giving written notice in a partnership at will. However, simply absenting oneself from the business premises for thirty days is not a recognized statutory method for retirement. Such an absence does not automatically terminate the partner's status or their ongoing liabilities toward the firm.

60. (B) No, because the purchase falls outside the ordinary business of grocery sales and the partner's implied authority.
The other partners are not bound by the contract to purchase heavy industrial machinery because it falls outside the ordinary course of a retail grocery business. Implied authority only covers acts done to carry on business of the kind carried on by the firm. Since purchasing machinery is unrelated to selling groceries, the partner acted without authority and cannot bind others.

61. (A) I, II, III, and V only
Partners remain liable for post-dissolution acts until public notice is given. However, exceptions exist for the estate of a deceased partner, the estate of an adjudicated insolvent, and a dormant partner who was not known to be a partner to the person dealing with the firm. These parties are not liable for acts done after they cease to be partners.

62. (A) The suit will be blocked because an unregistered firm cannot enforce a contractual right against a third party.
Under Section 69, an unregistered firm is prohibited from filing a suit against a third party to enforce a right arising from a contract. Since 'QuickBuild Associates' failed to register with the Registrar of Firms, they cannot legally sue the corporate client to recover the outstanding payment of Rs. 10 Lakhs. The court will not admit the suit due to this disability.

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63. (A) I, II, and IV only
Dissolution of a firm occurs when the relationship between all partners is terminated, ending the business. Dissolution of a partnership refers to a change in the partners' relationship where the business continues, such as when one partner retires from a firm of three. Section 39 specifically defines the dissolution of partnership between all the partners as the dissolution of the firm.

64. (A) The estate of a deceased partner is not liable for firm acts done after his death, even without public notice.
The estate of a deceased partner is not liable for any acts of the firm done after their death. This rule applies even if the firm continues to trade under the old name and regardless of whether a public notice of the death was given. Therefore, the supplier cannot claim the outstanding debt from the personal estate of the deceased partner in this scenario.

65. (C) Mr. K is liable as a partner because no public notice of his retirement was given as required.
Mr. K remains liable as a partner for the firm's acts because no public notice of his retirement was issued. According to Section 32, a retired

partner and the remaining partners continue to be liable to third parties for any act done by them which would have been an act of the firm if done before retirement, until public notice is given.

66. (C) I and III only
Partners of an unregistered firm cannot sue the firm or other partners to enforce contractual rights. Additionally, an unregistered firm cannot claim a set-off in a suit against a third party. However, non-registration does not affect the right of a partner to sue for the dissolution of the firm or for accounts, nor the power to realize property from a dissolved firm.

67. (C) The firm is not dissolved; it can continue the pharmaceutical business if the illegal business is separable.
If a firm carries on multiple separate businesses and one becomes unlawful due to a change in law, the firm is not compulsorily dissolved in its entirety. Instead, only the unlawful business must be discontinued. Since the pharmaceutical and liquor businesses are distinct and separable, the firm can continue its pharmaceutical operations while the liquor network is shut down legally.

68. (D) I, II, and III
Subject to a contract between the partners, a firm is dissolved by the expiry of the fixed term, the completion of the specific undertaking for which it was formed, the death of a partner, or the adjudication of a partner as an insolvent. These contingencies trigger the termination of the partnership firm unless the partners have previously agreed that the firm shall continue.

69. (B) I, II, III, and IV only
The disabilities of non-registration do not apply to firms without a place of business in relevant territories, suits or set-offs below one hundred rupees, or the realization of property of a dissolved firm. Furthermore, they do not apply to firms in areas where the registration chapter is not notified. However, a standard trade contract remains subject to the disabilities.

70. (C) A suit by an unregistered firm against a third party to enforce a right arising from a contract.
An unregistered firm is strictly prohibited from instituting a suit against a third party to enforce a right arising from a contract. This is a primary disability under Section 69. While partners can still sue for dissolution or accounts of a dissolved firm, and official assignees can realize an insolvent's property, the firm's ability to enforce commercial contracts is legally obstructed.

71. (D) Z's estate is not liable for firm acts done after the date of the order adjudicating him as an insolvent.
Under Section 34, once a partner is adjudicated as an insolvent, their estate is no longer liable for any acts of the firm performed after the date of the adjudication order. The fact that the firm continued business and incurred debt later does not change the insolvent's position. Z's estate is legally shielded from liability for the new debt incurred.

72. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Even after a firm is dissolved, partners remain liable to third parties for any subsequent acts that would have been firm acts if done before dissolution, until a public notice is given. This requirement protects third parties who may continue to deal with the partners in the belief that the firm still exists. Public notice terminates the mutual agency.

73. (B) Yes, the right to sue for dissolution or accounts is exempt from the disabilities of non-registration.
Although an unregistered firm faces many legal disabilities, Section 69(3) provides an exception for the right to sue for the dissolution of a firm. Consequently, Mr. Hari can legally file a suit in court to dissolve the unregistered partnership and seek a settlement of accounts. The lack of registration does not prevent a partner from seeking judicial intervention to end it.

74. (D) P-3, Q-1, R-4, S-2
Minors can be admitted to the benefits of a partnership without being personally liable for firm acts. Dissolution of a firm occurs when the relationship between all partners breaks down, terminating the firm. Reconstitution involves a change in the partnership relationship where the firm continues to operate. Finally, non-registration prevents a firm from instituting suits against third parties.

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operations and the powers of its various board members.

(D) To declare the payment of dividends to existing shareholders based on the profits earned during the preceding financial year of the company.

May/June 2012

7. Under the Companies Act, 2013, a company is defined as:

(A) An association of persons registered for a lawful purpose with limited liability.

(B) A company incorporated under the Companies Act, 2013 or under any previous company law.

(C) An artificial legal person created by law with perpetual succession and a common seal.

(D) A body corporate established by a special act of the Parliament.

Oct/Nov 2014

8. Which of the following statements accurately reflects the rules for keeping the register of members?

(A) The register of members must always be kept exclusively at the registered office of the company and cannot be kept elsewhere.

(B) The register can be kept at any other place within the city, town or village of the registered office if approved by a special resolution and the Registrar is notified in advance.

(C) A company can close the register of members for an unlimited period each year without prior notice.

(D) The register of members is confidential and cannot be inspected by debenture holders.

May/June 2019

9. A private company enjoys several exemptions and benefits over a public company. Which of the following is NOT one of these exemptions or features of a private company?

(A) It can have a minimum of two members and two directors.

(B) It is permitted to issue a prospectus to invite the public to subscribe for its shares.

(C) It need not obtain a certificate of commencement of business from the Registrar.

(D) It need not hold a statutory meeting and submit a statutory report to the Registrar.

Oct/Nov 2006

10. The landmark case of Salomon v. A. Salomon and Company Limited established which of the following foundational principles of company law?

(A) Doctrine of Constructive Notice

(B) Lifting of the corporate veil

(C) Independent corporate personality

(D) Doctrine of Ultra Vires

May/June 2021

11. If a company uses its funds to purchase a property through an ultra vires act, what is the legal status of that acquired property?

(A) The property belongs to the directors personally since the act was ultra vires and the company cannot legally hold title to such assets.

(B) The property must be immediately forfeited to the State Government or local authorities as a penalty for the company's illegal acquisition.

(C) The vendor can reclaim the property without refunding the purchase money because the underlying contract is void and unenforceable in court.

(D) The company owns the property because the asset represents the capital of the company despite the irregularities in its acquisition process.

Oct/Nov 2010

12. What is the minimum number of days a director must have stayed in India in the previous calendar year to satisfy the residency requirement for at least one director of every company?

(A) One hundred and twenty days

(B) One hundred and fifty days

(C) One hundred and eighty-two days

(D) Two hundred and ten days

May/June 2005

13. Identify the incorrect statement regarding a One Person Company (OPC).

(A) The nominee in an OPC cannot withdraw their consent once it is filed with the Registrar.

(B) An OPC is a company which has only one person as a member.

NODIA

CHAPTER 28
Company

May/June 2016

1. In case a company does not maintain a register of members or debenture-holders, what is the penalty imposed on the company?
(A) Fifty thousand rupees
(B) One lakh rupees
(C) Three lakh rupees
(D) Five lakh rupees

Oct/Nov 2009

2. Identify the incorrect statement concerning membership in a company.
(A) A subscriber of the memorandum is deemed to have agreed to become a member and neither an application form nor allotment of shares is necessary.
(B) A person who allows their name to be on the register of members is estopped from denying their membership under membership by acquiescence.
(C) A non-resident can become a member of a company without complying with the requirements of the Foreign Exchange Management Act.
(D) Every person holding shares of the company whose name is entered as a beneficial owner in the records of the depository shall be deemed to be a member.

May/June 2023

3. What does the term "shelf prospectus" mean?
(A) A prospectus which does not include complete particulars of the quantum or price of the securities included therein or the date of final subscription.
(B) A document inviting offers from the public for subscription of securities that must be issued every time a company raises capital from the market.
(C) A prospectus where securities are issued for subscription in one or more issues over a specific period without filing a further prospectus.
(D) An application form for shares accompanied by a memorandum containing salient features of the prospectus as required by relevant regulatory guidelines.

Oct/Nov 2018

4. The membership in a company ceases under various circumstances. In which of the following scenarios does the membership NOT cease?
(A) If the member's shares are forfeited.
(B) If the member transfers their shares to another person.
(C) On the death of a member, before the shares are registered in the name of the legal representative.
(D) If the member rescinds the contract to take shares on the ground of misrepresentation in the prospectus.

May/June 2007

5. How is the liability of a member determined in a company limited by guarantee that also has a share capital?
(A) The member is only liable to pay the fixed sum guaranteed in the event of winding up.
(B) The member is required to pay the amount of the fixed share capital in addition to the guarantee.
(C) The member's liability is restricted solely to the unpaid amount on the shares held.
(D) The member bears unlimited liability in proportion to their interest in the company.

Oct/Nov 2025

6. What is the primary purpose of issuing a prospectus?
(A) To formally register the company with the Registrar of Companies and obtain a certificate of incorporation to commence business operations.
(B) To solicit funds from the public for the company's capital by offering shares or debentures for subscription or purchase.
(C) To define the internal rules and regulations for managing the company's daily

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the Limited Liability Partnership Act was introduced in 2008 to create a new form of business entity combining partnership and corporate features. Finally, the Companies Act 2013 provided the current framework for partner limits.

19. (D) Personal property purchased by a partner using partnership funds given to him as long-due remuneration.
Firm property includes assets originally brought into the common stock, those acquired for business purposes, and the goodwill of the business. However, if a partner uses funds received as personal remuneration or long-due debt to purchase property for personal use, such property is considered their personal asset and does not automatically become the property of the partnership firm.

20. (A) Partners must carry on business to the greatest common advantage, be just and faithful, and render true accounts.
Section 9 mandates that partners are bound to carry on the business of the firm to the greatest common advantage. They must be just and faithful to each other and render true accounts and full information of all things affecting the firm to any partner or their legal representative. This establishes the fiduciary nature of the partnership relationship.

21. (C) A partner is an agent of the firm for the purpose of the business of the firm.
Under Section 18, a partner is considered an agent of the firm for the purposes of its business. This means that the acts of a partner, when performed within the scope of the firm's usual business, bind the firm and the other partners. Unlike a corporate structure, there is no separate legal entity, and the partners represent the collective firm.

22. (B) Two separate partnership firms can directly enter into a partnership with each other because a firm is a recognized legal entity.
A partnership firm is not a legal person; therefore, two firms cannot technically enter into a partnership with each other. Instead, the individual partners of one firm may enter into a partnership with the individual partners of another firm. Conversely, a registered company is a legal person and can become a partner if its memorandum of association permits such an association.

23. (C) Both I and II
In a Limited Liability Partnership, every partner is an agent of the LLP itself but is specifically not an agent of the other partners. Furthermore, the Act requires every LLP to have at least two designated partners who are individuals, and at least one of these designated partners must be a resident in India to ensure compliance and accountability.

24. (D) P-3, Q-4, R-2, S-1
The Indian Partnership Act defines various duties and rights across specific sections. Section 9 outlines general duties like being just and faithful. Section 10 covers the duty to indemnify for fraud. Section 12 deals with the conduct of the business, such as the right to participate. Finally, Section 13 details the mutual rights and liabilities, including profit sharing and interest.

25. (B) A provision that a partner shall not carry on any business other than that of the firm while he is a partner.
Section 11 allows partners to include a provision in their agreement stating that a partner shall not carry on any business other than that of the firm while they remain a partner. Such a contract is not considered a void restraint of trade under Section 27 of the Indian Contract Act. This provision protects the firm's interests and dedication.

NODIA

26. (D) The business must be a distinct legal entity separate from its partners.
A partnership requires an agreement between competent persons to carry on a business with the intent to share profits, underpinned by a mutual agency relationship. Unlike a company, a partnership firm is not a distinct legal entity separate from its partners. It is merely a collective name for the individuals who have entered into the partnership agreement for business purposes.

27. (C) Assertion (A) is true, but Reason (R) is false.
The duty of a partner to indemnify the firm for any loss caused by their fraud is absolute under Section 10. This statutory obligation cannot be excluded or restricted by any agreement between the partners. Any clause attempting to exempt

(C) The subscriber to the memorandum of an OPC must indicate the name of another person as a nominee with their prior written consent.
(D) An OPC can voluntarily convert itself into a private or public company at any time by following the prescribed procedure and altering its memorandum and articles.

Oct/Nov 2022

14. Which of the following statements regarding the common seal of a company is correct?
(A) A company must compulsorily affix a common seal on all legal documents and contracts.
(B) The common seal must be affixed by any single director acting independently.
(C) The use of a common seal has been made optional, and documents can instead be signed by two directors or one director and a company secretary.
(D) A common seal entirely replaces the requirement for directors to manage the company.

May/June 2018

15. Which of the following best describes an "Ultra Vires" transaction?
(A) An act performed by the company's directors that violates the articles of association but is ratified by shareholders.
(B) An internal management irregularity that does not affect the validity of a contract with an outsider.
(C) A transaction where the company borrows within its authorized limits but uses the funds unprofitably.
(D) An act of the company that is outside the scope of the objects clause of the memorandum of association and is thus void ab initio.

Oct/Nov 2016

16. Which of the following defines a Government company?
(A) A company where at least 51% of paid-up capital is held by the Central Government, State Governments, or both, including its subsidiary.
(B) A company in which the Central and State Governments hold at least 50% of the paid-up share capital through direct or indirect investment.
(C) A statutory corporation established by a special Act of the Parliament to undertake sovereign functions and commercial activities for the public.
(D) A public company in which the President of India holds all equity shares on behalf of the Union of India for strategic administration.

May/June 2014

17. The Companies Act permits various persons and entities to become members of a company. Which of the following CANNOT become a member of a company?
(A) A partnership firm in its own name.
(B) A registered society under the Societies Registration Act, 1860.
(C) A Limited Liability Partnership (LLP).
(D) A trade union registered under the Trade Union Act.

Oct/Nov 2007

18. A prospectus must be validly issued within how many days after the date on which a copy thereof is delivered to the Registrar?
(A) Thirty days
(B) Sixty days
(C) Ninety days
(D) One hundred and twenty days

May/June 2025

19. Identify the incorrect statement regarding the powers of the Board of Directors.
(A) The Board can make calls on shareholders in respect of money unpaid on their shares only at meetings of the board.
(B) The Board requires a resolution in a general meeting to dispose of any undertaking of the company.
(C) The Board requires a resolution in a general meeting to remit any debt due by a director.
(D) The Board can authorize a particular buyback by circulating papers amongst the directors.

Oct/Nov 2019

20. Which statement accurately describes the appointment of an alternate director?
(A) An alternate director can be appointed during the original director's absence for a period of not less than three months from India.

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(D) I, II, and III

May/June 2006

33. Match the Classification of Companies (List I) with their defining characteristics (List II):

List I: (Classification of Companies)

P. Statutory Company
Q. Company Limited by Guarantee
R. Unlimited Liability Company
S. Government Company

List II: (Characteristics)

1. Every member is liable without any limit for debts in proportion to their interest.
2. Formed under a special Act passed by Central or State Legislature.
3. Not less than fifty-one per cent of paid-up capital is held by the Government.
4. Liability is limited to an amount members undertake to contribute in the event of winding up.

(A) P-2, Q-4, R-1, S-3
(B) P-1, Q-3, R-2, S-4
(C) P-3, Q-1, R-4, S-2
(D) P-4, Q-2, R-3, S-1

Oct/Nov 2017

34. Consider the following statements regarding loans to directors under Section 185 of the Companies Act, 2013:

I. No company shall advance any loan to its Directors directly.
II. No company shall give any guarantee in connection with a loan taken by the Director.
III. Any loan given by a company to its wholly owned subsidiary is strictly prohibited without exception.
IV. A guarantee extended to a subsidiary company is exempted provided certain conditions are complied with.

Which combination of statements is correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2008

35. Consider the following statements regarding a minor's capacity to become a member of a company:

I. A minor is competent at law to contract and can independently apply for and become a member of a company.
II. If a minor has been allotted shares by mistake and their name entered into the register, they incur no liability during minority.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

NODIA

Oct/Nov 2013

36. The office of a director shall become vacant if the director:

I. Absents himself from all board meetings held during a period of 12 months with or without seeking leave of absence.
II. Fails to disclose his interest in any contract in contravention of Section 184 of the Companies Act, 2013.
III. Becomes disqualified by an order of a court or Tribunal.
IV. Is convicted of an offence involving moral turpitude and sentenced to imprisonment for not less than 6 months.
V. Files an appeal against the order of conviction, which immediately reinstates his office pending the appeal.

Which combination of statements is correct?

(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2015

37. Arrange the following events in the correct chronological order regarding the procedure of closing an offer under a Red Herring Prospectus:

I. Filing the Red Herring Prospectus with the Registrar at least three days prior to opening the offer.
II. Opening of the subscription list and the offer.
III. Closing of the offer of securities.
IV. Filing the final prospectus stating the total capital raised and closing price with the Registrar and SEBI.

(A) I, II, III, IV
(B) I, III, II, IV
(C) II, I, III, IV
(D) II, III, I, IV

May/June 2020

27. What is the most appropriate description of lifting or piercing the "Corporate Veil"?

(A) Ignoring the separate entity of the company to concern the court with the members or directors, typically in cases of fraudulent or illegal acts.

(B) The legal process by which a private company converts into a public company to increase its membership and raise capital from the general public.

(C) The compulsory registration of a company under the Companies Act to ensure transparency and accountability to stakeholders and government regulators.

(D) To declare the payment of dividends to existing shareholders based on the profits earned during the preceding financial year of the company.

Oct/Nov 2015

28. Under the Doctrine of Tracing, what is the recourse available to a lender if a company borrows money beyond the permitted limits and uses it to acquire assets?

(A) The lender can trace the assets created out of such borrowing and proceed against those assets for recovery.

(B) The lender can sue the company for breach of contract and demand immediate repayment with interest.

(C) The lender can hold the shareholders personally liable for the ultra vires borrowing.

(D) The lender can petition the Tribunal to wind up the company on grounds of fraud.

May/June 2013

29. Which of the following is NOT a feature of a registered company?

(A) Artificial Legal Person

(B) Limited Liability

(C) Citizenship under the Citizenship Act

(D) Perpetual Succession

Oct/Nov 2021

30. Which of the following statements regarding the provisions for entrenchment in the Articles of Association is correct?

(A) Entrenchment provisions allow articles to be altered by an ordinary resolution instead of a special resolution.

(B) Entrenchment provisions can only be made on the formation of a company and never by an amendment.

(C) Entrenchment provisions eliminate the requirement to give notice to the Registrar regarding such alterations.

(D) Entrenchment provisions mean specified provisions of the articles may be altered only if conditions more restrictive than a special resolution are met.

May/June 2024

31. Match the Director concepts (List I) with their specific rules (List II):

List I: (Director Type)

P. Independent director

Q. Alternate director

R. Additional director

S. Whole-time director

List II: (Rules)

1. Appointed by the board, holds office only up to the date of the next annual general meeting.
2. Cannot be appointed for a term exceeding five years at a time.
3. Must not have any pecuniary relationship exceeding ten per cent of total income with the company during the two immediately preceding financial years.
4. Appointed to act during the original director's absence from India for not less than three months.

(A) P-3, Q-4, R-1, S-2

(B) P-2, Q-3, R-4, S-1

(C) P-1, Q-2, R-3, S-4

(D) P-4, Q-1, R-2, S-3

Oct/Nov 2008

32. Consider the following statements regarding the qualification shares of a director:

I. A director is required to hold qualification shares only if such requirement is stipulated in the articles of association.

II. This requirement is compulsorily applicable to all private companies.

III. It is applicable to a private company if it is a subsidiary of a public company and the articles require it.

Which combination of statements is correct?

(A) I and II only

(B) I and III only

(C) II and III only

NODIA

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2009

44. Consider the following statements:
I. A partnership firm, not being a legal person, cannot buy any shares in its own name to become a member of a company.
II. A trade union registered under the Trade Union Act can be registered as a member and hold shares in a company in its own corporate name.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2023

45. Consider the following rules regarding the appointment and retirement of directors:
I. Every director shall be appointed by the company in general meeting unless expressly provided otherwise.
II. Not less than two-thirds of the total number of directors of a public company shall be liable to retire by rotation.
III. One-third of the directors liable to retire by rotation shall retire from office at every annual general meeting.
IV. Directors to retire are those who have been longest in office since their last appointment.
V. Independent directors are included in the 'total number of directors' when determining the number liable to retire by rotation.
Which combination of statements is correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2018

46. Arrange the following scenarios in the chronological order of events when the vacancy of a retiring director is not filled at an annual general meeting:
I. The meeting stands adjourned till the same day in the next week, at the same time and place.
II. The vacancy of the retiring director is not filled up and the meeting does not expressly resolve not to fill the vacancy.
III. At the adjourned meeting, the vacancy is still not filled up.
IV. The retiring director is deemed to have been re-appointed, provided no resolution against their re-appointment was lost.
(A) I, II, III, IV
(B) II, I, III, IV
(C) II, III, I, IV
(D) III, II, I, IV

May/June 2007

47. Which of the following powers can be exercised by the board of directors ONLY at meetings of the board, and not by circulating papers?
I. To make calls on shareholders in respect of money unpaid on their shares.
II. To issue securities including debentures.
III. To invest the funds of the company.
IV. To approve amalgamation, merger or reconstruction.
Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2025

48. Which of the following correctly pairs the type of company with the minimum number of directors required?
(A) Public company - Minimum of two directors
(B) One Person Company - Minimum of one director
(C) Private company - Minimum of three directors
(D) Foreign company - Minimum of four directors

May/June 2012

49. Consider the following statements regarding misstatements in a prospectus:
I. A person induced to subscribe for shares based on an untrue statement can rescind the contract.
II. A person can claim damages from the company whether the statement is fraudulent or innocent.
III. An expert who has withdrawn consent before the delivery of the prospectus for

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Oct/Nov 2012

38. Consider the following statements regarding a small company:

I. It means a company, other than a public company.

II. Its paid-up share capital does not exceed four crore rupees or such higher prescribed amount not more than ten crore rupees.

III. Its turnover as per the last profit and loss account does not exceed forty crore rupees or such higher prescribed amount not more than one hundred crore rupees.

Which combination of statements is correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2011

39. An independent director must fulfill which of the following criteria?

I. Is a person of integrity and possesses relevant expertise and experience.

II. Is or was a promoter of the company or its holding company.

III. Has no pecuniary relationship with the company exceeding ten percent of his total income during the two immediately preceding financial years.

IV. None of whose relatives holds security in the company exceeding fifty lakh rupees face value or two percent of paid-up capital.

Which combination of statements is correct?

(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2020

40. Which of the following pairs correctly matches the type of prospectus with its characteristic?

(A) Shelf prospectus - Issued only after the company goes into liquidation.
(B) Abridged prospectus - Invites deposits from the company's own employees exclusively.
(C) Deemed prospectus - A document containing only the Memorandum of Association without financial details.
(D) Red herring prospectus - Does not include complete particulars of the quantum or price of the securities.

NODIA

May/June 2022

41. Consider the following statements regarding the necessity and conditions of issuing a prospectus:

I. A public company can raise funds from the public by issuing a prospectus.

II. A private company is prohibited under its articles from issuing a prospectus.

III. A prospectus must be signed by every person named therein as a director or proposed director.

IV. A prospectus is required even when shares are offered only to existing shareholders.

V. A prospectus is not required when a person is invited to enter into an agreement.

Which combination of statements is correct?

(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2023

42. Match the Doctrine (List I) with the leading case law illustrating it (List II):

List I: (Doctrine)

P. Independent Corporate Personality
Q. Doctrine of Ultra Vires
R. Doctrine of Indoor Management
S. Membership of Insolvent Person

List II: (Case Law)

1. Royal British Bank vs Turquand
2. Salomon vs A. Salomon and Company Limited
3. Morgan v Gray
4. Ashbury Railway Carriage and Iron Company vs Riche

(A) P-2, Q-4, R-1, S-3
(B) P-1, Q-3, R-4, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-3, Q-1, R-2, S-4

May/June 2016

43. Consider the following statements regarding the cessation of membership in a company:

I. Membership ceases if a member's shares are forfeited.

II. Membership ceases if the shares are sold pursuant to a decree of a Court.

III. Upon the death of a member, the estate of the deceased member ceases to be liable immediately, even before shares are registered to a legal representative.

Which combination of statements is correct?

(B) An alternate director replaces the original director permanently once appointed by the Board of Directors.
(C) An alternate director is appointed exclusively to serve on the audit committee.
(D) An alternate director can continue to hold office even after the original director returns to India.

May/June 2009

21. Which of the following is the best example of a member's proprietary right?
(A) The right to inspect the register of members and copies of annual returns.
(B) The right to convene an extraordinary general meeting of the company.
(C) The right to participate in the distribution of assets in case of liquidation of the company.
(D) The right to apply to the National Company Law Tribunal for calling an annual general meeting.

Oct/Nov 2011

22. What is the penalty prescribed for a director who makes any default in complying with the legal provisions regarding compensation for loss of office?
(A) Fifty thousand rupees
(B) One lakh rupees
(C) Three lakh rupees
(D) Five lakh rupees

May/June 2010

23. What is the legal effect of the doctrine of constructive notice on a person dealing with a company?
(A) The person is presumed to have knowledge of the internal management irregularities of the company.
(B) The person is protected from any ultra vires acts committed by the directors of the company.
(C) The person has the right to demand personal indemnification from the directors for any financial loss.
(D) The person is deemed to have read and understood the public documents of the company, such as the memorandum and articles of association.

Oct/Nov 2024

24. The Doctrine of Indoor Management protects outsiders dealing with the company. Which of the following represents an exception where this protection is NOT available?
(A) When the outsider assumes that internal resolutions have been passed properly.
(B) When the outsider relies on the registered public documents.
(C) When the contract is consistent with the public documents but internal delegation was flawed.
(D) When the outsider has actual knowledge of the internal irregularity of the company.

May/June 2017

25. Identify the incorrect statement regarding the distinction between a company and a partnership.
(A) Registration is compulsory for a company but not compulsory for a partnership firm.
(B) The liability of partners in a partnership firm is limited to their capital contribution, similar to members in a limited company.
(C) The property of a company is owned by the company itself, whereas the property of a firm is owned by the firm through its partners.
(D) A member of a company can contract with the company, but a partner cannot contract with their own partnership firm.

Oct/Nov 2005

26. Which of the following correctly defines a "Small Company" as per the currently prescribed limits?
(A) A public company with a paid-up share capital not exceeding fifty lakh rupees and turnover not exceeding two crore rupees.
(B) A one person company whose paid-up share capital does not exceed fifty lakh rupees and turnover does not exceed two crore rupees.
(C) A private company with a maximum of two hundred members and a paid-up share capital not exceeding twenty-five lakh rupees.
(D) A non-public company with paid-up capital and turnover not exceeding four crore rupees and forty crore rupees respectively.

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registration remains criminally liable for misstatements.

Which combination of statements is correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2014

50. Consider the following statements:
I. A red herring prospectus highlights the total capital raised and the closing price of the securities prior to the opening of the offer.
II. A shelf prospectus allows securities included therein to be issued for subscription in one or more issues over a certain period without issuing a further prospectus.

Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2019

51. Consider the provisions regarding compensation for loss of office to a director:
I. A director cannot receive payment for loss of office in connection with the transfer of the whole undertaking without proper disclosure.
II. The particulars of the proposed payment must be disclosed to the members and approved in a general meeting.
III. If payment is made before approval, the amount is deemed to be received in trust for the company.
IV. This restriction entirely prevents a managing director from receiving any contractual compensation from the company.
V. Default in complying with these provisions attracts a penalty of one lakh rupees.

Which combination of statements is correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2006

52. Match the Modes of Becoming a Member (List I) with their descriptions (List II):
List I: (Mode of Membership)
P. By Subscribing to Memorandum
Q. Membership by Allotment
R. Transmission of Shares
S. Membership by Acquiescence
List II: (Description)
1. Surviving joint holder or legal representative becomes member upon the death of a member.
2. Deemed member upon registration of the company without needing an application form.
3. Holding oneself out as a member and estopped from denying membership.
4. Appropriation of shares by directors to a particular person upon their agreement to take shares.

(A) P-4, Q-2, R-3, S-1
(B) P-2, Q-4, R-1, S-3
(C) P-1, Q-3, R-2, S-4
(D) P-3, Q-1, R-4, S-2

May/June 2021

53. Which of the following pairs incorrectly matches the form of organization with its liability characteristic?
(A) Company limited by shares - Liability limited to the unpaid amount on the shares.
(B) Company limited by guarantee - Liability restricted to the amount of guarantee plus fixed share capital if applicable.
(C) Partnership firm - Liability of partners is limited strictly to their profit-sharing ratio.
(D) Unlimited Liability Company - Liability of members is unlimited without any limit for its debts.

Oct/Nov 2010

54. Consider the following statements regarding the place of keeping the register of members:
I. It must generally be kept at the registered office of the company.
II. It may be kept at any other place within the city, town, or village in which the registered office is situated.
III. Keeping it at another place requires approval by a special resolution passed in a general meeting.
IV. The Registrar of Companies must be given a copy of the proposed special resolution in advance.

Which combination of statements is correct?
(A) I, II, and III only
(B) II, III, and IV only

NODIA

Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2024

66. Read the following scenario and answer the question that follows:
A company issues a Red Herring Prospectus to raise capital. Subsequently, it issues the final prospectus. There is a notable variation in the issue price of the securities between the Red Herring Prospectus and the final prospectus. What must the company do regarding this variation?
(A) The variation must be approved by the National Company Law Tribunal before issuing the final prospectus.
(B) The variation must be highlighted as a variation in the final prospectus.
(C) The company must refund all application money received and restart the subscription process.
(D) The variation requires an alteration to the Memorandum of Association.

May/June 2017

67. Read the following scenario and answer the question that follows:
Beta Ltd.'s articles of association state that the directors can borrow up to Rs. 1 Crore provided a resolution is passed by the shareholders. The directors borrow Rs. 80 Lakhs from Mr. X, issuing a bond. No shareholder resolution was actually passed. When Mr. X demands repayment, the company claims the loan is not binding. Under the Doctrine of Indoor Management, what is the legal position?
(A) Mr. X cannot recover the money as he failed to read the internal minutes of the company which are considered public documents by law.
(B) The directors are exclusively and personally liable for the repayment of the bond as they exceeded their authority granted by the articles.
(C) The company is bound by the loan because Mr. X was entitled to assume that the internal resolution had been duly passed by the board.
(D) The bond is void ab initio due to the doctrine of ultra vires because the borrowing exceeded the limit specified in the articles of association.

Oct/Nov 2005

68. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): When two or more persons hold shares jointly, they are considered multiple independent members for the purpose of sending notices and dividends.
Reason (R): Joint membership requires each individual name to be recorded separately as distinct members enjoying separate rights.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is false.

May/June 2020

69. Read the following scenario and answer the question that follows:
Mr. K is proposed to be appointed as an independent director of Sigma Ltd. He runs a consulting firm that had transactions with Sigma Ltd. amounting to 15% of his total income in the immediately preceding financial year. Is Mr. K eligible to be appointed as an independent director?
(A) Yes, because consulting transactions are exempt from pecuniary relationship restrictions provided the amount does not exceed a fixed monetary limit.
(B) Yes, provided the transactions do not exceed 25% of his total income as verified by the board of directors and the audit committee.
(C) No, because an independent director cannot have any transactions whatsoever with the company or its holding, subsidiary, or associate companies.
(D) No, because he had a pecuniary relationship exceeding ten percent of his income with the company during the preceding two financial years.

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(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2025

61. Read the following scenario and answer the question that follows:
Mr. Sharma operates a successful textiles business. He incorporates Sharma Textiles Ltd., selling his personal business to the company in exchange for 30,000 shares and debentures worth Rs. 10 Lakhs, creating a charge on the assets. The company goes into liquidation a year later with assets worth Rs. 8 Lakhs and unsecured creditors owed Rs. 5 Lakhs. The unsecured creditors demand to be paid first. Based on the Salomon v. Salomon principle, what is the outcome?
(A) Mr. Sharma and the company are the same; hence, unsecured creditors are paid first as the corporate veil is pierced for insolvency.
(B) The assets will be distributed proportionally between Mr. Sharma and the unsecured creditors as if the company were a simple partnership.
(C) Mr. Sharma, as a secured debenture holder, is paid first from the assets, which leaves no remaining funds for the unsecured creditors.
(D) Mr. Sharma must contribute his personal funds to pay off the unsecured creditors because he holds a majority of the company's shares.

Oct/Nov 2019

62. At the AGM of Theta Ltd., three directors—A, B, and C—are liable to retire by rotation. A and B were appointed as directors on the exact same day two years ago, while C was appointed one year ago. The company needs one director to retire. In the absence of any agreement between A and B, how will it be determined who retires?
(A) It shall be determined by lot between A and B.
(B) The oldest in age between A and B will retire.
(C) The director with the least number of shares will retire.
(D) Both A and B must retire simultaneously.

May/June 2009

63. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A subscriber to the memorandum of association becomes a member of the company without needing an application form or allotment of shares.
Reason (R): The law provides that a subscriber of the memorandum shall be deemed to have agreed to become a member of the company upon its registration.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

NODIA

Oct/Nov 2011

64. Company A holds 40% of the shares in Company B. However, under an agreement, Company A has the sole right to appoint 5 out of the 7 directors on Company B's board of directors, with the object of controlling its management. Is Company B a subsidiary of Company A?
(A) Yes, because Company A controls the majority composition of the board of directors.
(B) No, because Company A does not hold the majority of the shares.
(C) No, because holding companies must possess both majority shareholding and majority board control.
(D) Yes, but only if Company B's shareholders pass a special resolution confirming the subsidiary status.

May/June 2010

65. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The doctrine of constructive notice protects the insiders of a company against dealings with outsiders.
Reason (R): Every person who deals with a company is presumed to have read and understood the registered public documents like the memorandum and articles of association.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of

(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2005

55. Consider the following statements regarding the Doctrine of Ultra Vires:
I. An ultra vires transaction is void ab initio and cannot become intra vires by reason of ratification.
II. If a director makes an ultra vires payment, he is personally liable to the company to refund the money.
III. A company can be held liable for obligations arising out of an ultra vires contract if the other party acted in good faith.
Which combination of statements is correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2022

56. Match the Clauses of the Memorandum of Association (List I) with their contents (List II):
List I: (Clauses of Memorandum)
P. Name clause
Q. Registered office clause
R. Objectives clause
S. Capital clause
List II: (Contents)
1. States the amount of authorized share capital and the number and value of shares.
2. Mentions the name of the State in which the registered office is situated.
3. Contains the main objectives to be pursued immediately on incorporation.
4. States the name of the company, ending with "Limited" or "Private Limited" if applicable.
(A) P-2, Q-3, R-1, S-4
(B) P-4, Q-2, R-3, S-1
(C) P-1, Q-4, R-2, S-3
(D) P-3, Q-1, R-4, S-2

May/June 2018

57. Consider the following features regarding a private company:
I. It restricts the right to transfer its shares.
II. It restricts the number of its members to two hundred.
III. Past and present employees who are members are excluded from the two hundred member limit.
IV. It can issue a prospectus inviting the public to subscribe to its shares.
V. It prohibits any invitation or acceptance of deposits from persons other than its members, directors, or their relatives.
Which combination of statements is correct?
(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2016

58. Which of the following pairs incorrectly matches a right of a member with its classification?
(A) To approach the NCLT for an investigation - Documentary Right
(B) To inspect the register of members - Statutory Right
(C) To receive notice of meetings - Statutory Right
(D) To participate in the distribution of assets in liquidation - Proprietary Right

May/June 2014

59. Consider the following statements distinguishing the Memorandum of Association (MOA) and Articles of Association (AOA):
I. MOA contains the fundamental activities and objects, while AOA provides the internal regulations.
II. MOA is the dominant instrument, and AOA is subordinate to it.
III. Acts in contravention of the MOA can be easily ratified by the shareholders at a general meeting.
IV. Any terms of the AOA can be altered by a special resolution without requiring Central Government approval.
Which combination of statements is correct?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2007

60. Consider the following statements regarding the legal status of a company:
I. A company has a nationality and domicile.
II. A company is a natural citizen and the provisions of the Citizenship Act apply to it.
Which of the above statement(s) is/are correct?
(A) Only I

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Oct/Nov 2015

70. Read the following scenario and answer the question that follows:
Delta Ltd. wants to change the name of the State in which its registered office is situated to expand its operations. Simultaneously, it wants to alter a procedural rule regarding the notice period for board meetings in its Articles of Association. Which of the following accurately describes the approval requirements?
(A) Both changes require only a special resolution passed by the company without any external approvals.
(B) Both changes require a special resolution and the approval of the Central Government.
(C) The change of State in the memorandum requires a special resolution and Central Government approval, while the alteration of the articles requires only a special resolution.
(D) The change of State requires an ordinary resolution, while the alteration of articles requires Central Government approval.

May/June 2013

71. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): A director who induces an outsider to contract with the company for an ultra vires act is personally liable to the outsider.
Reason (R): Directors are the agents of the company and must act within the limits of the powers of the company, and breach of this authority constitutes liability to innocent outsiders.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2021

72. Read the following scenario and answer the question that follows:
Alpha Ltd. has an objectives clause restricting its business to manufacturing steel. The directors borrow Rs. 50 Lakhs from a bank to purchase a commercial real estate property for rental income, an act not covered by the memorandum. The company subsequently defaults on the loan. What remedy does the bank have under the Doctrine of Tracing?
(A) The bank can sue Alpha Ltd. for breach of contract and recover the loan from its steel manufacturing assets as per general liability rules.
(B) The bank has no remedy because the borrowing was ultra vires and void ab initio, preventing the bank from taking any legal action.
(C) The bank can force the company to alter its memorandum retrospectively to validate the loan through a special resolution of the shareholders.
(D) The bank can trace the real estate property created out of the borrowed funds and proceed against that specific asset for recovery.

May/June 2024

73. Read the following scenario and answer the question that follows:
Mr. V is a highly sought-after professional and currently holds directorships in 18 companies. Of these 18 companies, 12 are public companies and 6 are private companies. Under the Companies Act 2013, is Mr. V complying with the maximum number of directorships?
(A) Yes, because the total number of directorships does not exceed twenty including both public and private companies across various industries.
(B) No, because the maximum number of public companies in which a person can be appointed as a director shall not exceed ten by law.
(C) Yes, because private companies are not counted in the maximum limit of twenty directorships as per the latest amendments to the Act.
(D) No, because the total number of directorships across all types of companies cannot exceed fifteen for any individual person at one time.

Oct/Nov 2008

74. Read the following scenario and answer the question that follows:
A 16-year-old minor applies for shares in Zeta Ltd. The company, by mistake, allots the shares

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ANSWERS

1. (C) Three lakh rupees
The Companies Act, 2013, mandates that every company must maintain registers for members and debenture-holders at its registered office. Failure to comply with these statutory requirements attracts specific penalties to ensure transparency and accountability. In the event of such a default, the company faces a financial penalty of three lakh rupees to uphold compliance.

2. (C) A non-resident can become a member of a company without complying with the requirements of the Foreign Exchange Management Act.
Membership in a company generally requires compliance with specific legal frameworks, including the Foreign Exchange Management Act for non-residents. A subscriber to the memorandum is automatically deemed a member upon registration. While beneficial owners in depository records are considered members, non-residents must strictly adhere to foreign exchange regulations to legally acquire membership or shares in an Indian company.

3. (C) A prospectus where securities are issued for subscription in one or more issues over a specific period without filing a further prospectus.
A shelf prospectus is a specific type of offer document that allows a company to issue securities multiple times over a defined period. This mechanism eliminates the need to file a fresh prospectus for each subsequent offering within the specified validity timeframe. It streamlines the capital-raising process for frequent issuers by reducing administrative and regulatory burdens for each tranche.

4. (C) On the death of a member, before the shares are registered in the name of the legal representative.
Membership in a company typically ceases through actions like share forfeiture, transfer, or rescission of the contract due to misrepresentation. However, upon the death of a member, the estate remains liable and the membership interest persists until the legal representative is formally registered. Consequently, the act of death itself does not immediately terminate membership status in the company records.

(B) The member is required to pay the amount of the fixed share capital in addition to the guarantee.
In a company limited by guarantee having a share capital, members have dual financial obligations toward the entity. They are liable for any unpaid amount on the shares they hold during the company's operation. Additionally, in the event of winding up, they must contribute the specific amount they guaranteed to pay toward the assets of the company for debt settlement.

6. (B) To solicit funds from the public for the company's capital by offering shares or debentures for subscription or purchase.
A prospectus serves as a formal invitation to the general public to subscribe to a company's securities. Its primary objective is to provide essential information about the company's financial health and business prospects to potential investors. This document ensures transparency during the fundraising process, helping the company secure necessary capital by offering shares or debentures for public purchase.

7. (B) A company incorporated under the Companies Act, 2013 or under any previous company law.
Under the current legal framework, a company is defined as a legal entity incorporated under the Companies Act, 2013, or any preceding company legislation. This definition encompasses various types of companies, regardless of their specific structure or liability. It establishes the legal basis for corporate existence, granting the entity a separate personality distinct from its individual members or promoters.

8. (B) The register can be kept at any other place within the city, town or village of the registered

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cannot go, while the articles merely provide the internal regulations for managing the company.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2015

79. Read the following scenario and answer the question that follows:

Gamma Ltd.'s articles require a special resolution to approve contracts above Rs. 50 Lakhs. Mr. Y, a financial consultant who regularly attends Gamma Ltd.'s board meetings and has access to their internal records, signs a consulting contract with the directors for Rs. 60 Lakhs, knowing fully well that no special resolution was passed. Later, the company repudiates the contract. Can Mr. Y claim protection under the Doctrine of Indoor Management?

(A) Yes, because he is an outsider and is not required to inquire into the regularity of internal management regarding the passage of resolutions.
(B) No, because Mr. Y had actual knowledge of the internal irregularity, which constitutes a recognized exception to the indoor management doctrine.
(C) Yes, because the company cannot rely on its own failure to pass a special resolution to escape its contractual liability to a consultant.
(D) No, because consulting contracts are automatically deemed ultra vires without a special resolution regardless of the amount or the person involved.

Oct/Nov 2012

80. Read the following scenario and answer the question that follows:

Mr. Smith applies for 1,000 shares in Epsilon Public Ltd. using the fictitious name "John Doe" to hide his identity. The shares are allotted to "John Doe". Under Section 38 of the Companies Act 2013, what is the consequence of this act?

(A) Mr. Smith is punishable with imprisonment for a term which may extend to five years.
(B) The shares are automatically transferred to the Central Government.
(C) Mr. Smith must pay a penalty equal to the face value of the shares but faces no imprisonment.
(D) The allotment is valid provided the application money was paid from a legitimate bank account.

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Central Government, any State Government, or a combination of both. This definition also extends to any company that is a subsidiary of such a government-controlled legal entity.

17. (A) A partnership firm in its own name.
While many entities can hold shares, a partnership firm is generally ineligible to become a member in its own name because it lacks a separate legal personality. It is considered an association of individuals rather than a distinct legal person. In contrast, registered societies, limited liability partnerships, and trade unions are legally recognized entities capable of holding shares and becoming company members.

18. (C) Ninety days
Before issuing a prospectus to the public, a company must deliver a signed copy to the Registrar of Companies for registration. To ensure the information remains current and relevant for potential investors, the prospectus must be officially issued within ninety days of its delivery to the Registrar. Failure to issue the document within this period renders the original filing invalid.

19. (D) The Board can authorize a particular buyback by circulating papers amongst the directors.
The Board of Directors holds significant administrative powers, but certain actions require strict compliance with specific procedures or shareholder approval. While many powers can be delegated or exercised through meetings, certain financial activities like authorizing a buyback cannot be done simply by circulating papers. Such decisions typically require formal deliberation and approval at a board meeting or a general meeting as specified.

20. (A) An alternate director can be appointed during the original director's absence for a period of not less than three months from India.
An alternate director is appointed by the Board to act on behalf of an original director during their absence from the country. This appointment is valid only if the original director is away from India for a continuous period of at least three months. The alternate director's tenure automatically concludes once the original director returns to India to resume their official duties.

21. (C) The right to participate in the distribution of assets in case of liquidation of the company.
Proprietary rights are those that belong to a member in their capacity as a part-owner of the company's capital and assets. These rights include receiving dividends and participating in the distribution of surplus assets during the company's liquidation. Unlike statutory or documentary rights which focus on information and meetings, proprietary rights directly relate to the member's financial interest in the corporate entity.

22. (B) One lakh rupees
Legal provisions regarding compensation for loss of office are strictly enforced to prevent unauthorized payments to directors. If a director fails to comply with the disclosure and approval requirements for such payments, they face a specific financial penalty. Under the current regulations, the penalty for making a default in these compliance matters is set at one lakh rupees to deter misconduct.

23. (D) The person is deemed to have read and understood the public documents of the company, such as the memorandum and articles of association.
The doctrine of constructive notice implies that any person dealing with a company is legally presumed to have read and understood its public documents. These documents, such as the memorandum and articles of association, are registered with the Registrar and accessible to all. Consequently, an outsider cannot claim ignorance of the company's stated powers or the limitations imposed on its directors.

24. (D) When the outsider has actual knowledge of the internal irregularity of the company.
The doctrine of indoor management protects outsiders by allowing them to assume that internal company procedures have been correctly followed. However, this protection is not absolute and does not apply if the outsider has actual knowledge of an internal irregularity. In such cases, the person cannot rely on the presumption of regularity because they were already aware of the procedural flaw.

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office if approved by a special resolution and the Registrar is notified in advance.
Companies must generally maintain the register of members at their registered office to ensure accessibility. However, the law permits keeping these records at another location within the same city, town, or village if a special resolution is passed. This flexibility allows for better administrative management provided the company notifies the Registrar of Companies about the change in storage location.

9. (B) It is permitted to issue a prospectus to invite the public to subscribe for its shares.
Private companies enjoy various operational advantages and exemptions under company law, such as having fewer directors and members compared to public entities. However, a fundamental characteristic of a private company is the prohibition against inviting the public to subscribe to its securities. Consequently, these entities are strictly barred from issuing a prospectus to raise funds from the general public at large.

10. (C) Independent corporate personality
The landmark ruling in the Salomon case established that a company is a separate legal entity, distinct from its shareholders and directors. This principle of independent corporate personality ensures that the company's debts and obligations belong solely to the corporation itself. Even if one person holds nearly all shares, the law treats the company as an individual legal person.

11. (D) The company owns the property because the asset represents the capital of the company despite the irregularities in its acquisition process.
When a company acquires property through an act that exceeds its legal powers defined in the memorandum, the transaction is considered ultra vires. Despite the irregularity of the acquisition process, the company remains the legal owner of the asset. This is because the property represents the company's invested capital, and the law protects its interest in assets already purchased.

12. (C) One hundred and eighty-two days
To ensure proper local oversight and management, the law requires every company to have at least one director residing in India. Residency is established if a director stays in the country for a minimum of one hundred and eighty-two days during the financial year. This provision helps maintain a physical presence for regulatory compliance and administrative accountability within the jurisdiction.

13. (A) The nominee in an OPC cannot withdraw their consent once it is filed with the Registrar.
A One Person Company involves a single member and a nominated individual who would take over in the event of the member's death or incapacity. The nominee must provide prior written consent to be named in the memorandum. Contrary to the idea of fixed commitment, the nominee retains the legal right to withdraw their consent at any time by following procedure.

14. (C) The use of a common seal has been made optional, and documents can instead be signed by two directors or one director and a company secretary.
Under modern corporate regulations, the requirement for a company to maintain a common seal has become optional. Documents that previously required a seal can now be authenticated through the signatures of two directors or one director and the company secretary. This change facilitates ease of doing business by allowing companies more flexibility in how they execute formal contracts and legal papers.

15. (D) An act of the company that is outside the scope of the objects clause of the memorandum of association and is thus void ab initio.
An ultra vires transaction refers to any act performed by a company that exceeds the powers granted by its memorandum of association. Because the memorandum defines the legal boundaries of corporate activity, such acts are considered void from the beginning and cannot be ratified. This doctrine protects shareholders and creditors by ensuring the company does not engage in unauthorized business activities.

16. (A) A company where at least 51% of paid-up capital is held by the Central Government, State Governments, or both, including its subsidiary.
A Government company is defined based on the percentage of paid-up share capital held by the public authorities. To qualify, at least fifty-one percent of the capital must be owned by the

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and enters the minor's name in the register of members. Upon realizing the error six months later, the company wants to rectify the situation. What is the legal position?

(A) The minor is bound by the allotment and must pay any unpaid calls on the shares as the company entered their name in the register.
(B) The minor's legal guardian automatically becomes the member in place of the minor without any right of rescission or cancellation of shares.
(C) The company must wait until the minor attains majority to remove the name from the register and cannot take any action during the minority.
(D) The company and the minor have a right to rescind the transaction, and the minor incurs no liability for any unpaid share capital.

May/June 2006

75. Read the following scenario and answer the question that follows:
XYZ Private Limited is formed by three directors. Over two years, the directors systematically siphon off the company's funds into their personal accounts, leaving the company heavily indebted to its creditors. The creditors sue the directors personally. The directors argue that under the principle of separate legal entity, only the company is liable. How will the court likely rule?

(A) The court will pierce the corporate veil because the persons managing the company have indulged in fraudulent acts for their own benefit.
(B) The court will uphold the separate legal entity and dismiss the suit against the directors.
(C) The court will convert the private company into a public company to recover the funds.
(D) The court will hold the creditors liable for negligence under the doctrine of constructive notice.

Oct/Nov 2017

76. Read the following scenario and answer the question that follows:
Mr. A incorporated an OPC in 2018. Over the next three consecutive financial years, the paid-up share capital of the OPC remained Rs. 40 Lakhs, but its average annual turnover surged to Rs. 3.5 Crores. According to the current provisions for an OPC under the Companies Act and Rules, what action must Mr. A take?

(A) He must immediately dissolve the OPC and form a partnership firm.
(B) He must appoint a minimum of three directors to manage the increased turnover.
(C) He can continue operating as an OPC without any mandatory conversion as the mandatory thresholds for conversion have been removed.
(D) He is required to convert the OPC into either a private or public company within 6 months.

May/June 2008

77. Read the following scenario and answer the question that follows:
Mr. R reads a prospectus issued by Omega Ltd. that falsely claims the company has secured a highly lucrative government contract. Relying on this, he purchases 5,000 shares. When the truth emerges, the share price crashes. Mr. R wishes to pursue civil remedies. What options are available to him against the company?

(A) He can only claim damages but cannot rescind the contract even if he proves the statement in the prospectus was fraudulent or misleading.
(B) He can demand the imprisonment of the directors but cannot recover his investment because the company is a separate legal entity from them.
(C) He can either rescind the contract or claim damages from the company for the untrue statement which induced him to purchase the shares.
(D) He has no remedy because he failed to verify the claim under the doctrine of constructive notice and should have investigated the contract.

Oct/Nov 2013

78. The following question consists of two statements—Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The articles of association are always held to be subordinate to the memorandum of association.
Reason (R): The memorandum states the fundamental objects beyond which the company

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25. (B) The liability of partners in a partnership firm is limited to their capital contribution, similar to members in a limited company.
Companies and partnerships differ significantly in their legal structures and the liability of their members. In a company, the liability of shareholders is typically limited to the amount unpaid on their shares. In contrast, partners in a general partnership firm usually face joint and several unlimited liability for all the debts and obligations incurred by the firm during its business operations.

26. (D) A non-public company with paid-up capital and turnover not exceeding four crore rupees and forty crore rupees respectively.
A small company is a specific classification of a private company based on its financial size and scale of operations. According to the currently prescribed thresholds, it refers to a non-public company where the paid-up capital does not exceed four crore rupees and the turnover remains within forty crore rupees. These limits allow smaller entities to enjoy various exemptions under corporate law.

27. (A) Ignoring the separate entity of the company to concern the court with the members or directors, typically in cases of fraudulent or illegal acts.
Lifting the corporate veil is a judicial process where the court disregards the separate legal personality of a company. This action is typically taken to identify the individuals behind fraudulent or illegal activities conducted under the corporate name. By piercing this veil, the court can hold members or directors personally liable for the company's actions, ensuring that justice is effectively served.

28. (A) The lender can trace the assets created out of such borrowing and proceed against those assets for recovery.
If a company borrows money through an ultra vires act and uses it to purchase specific assets, the lender has limited recourse. Under the doctrine of tracing, the lender can identify and claim the assets that were directly acquired using the unauthorized loan. This allows the lender to proceed against those specific assets for recovery, even though the underlying loan contract is void.

29. (C) Citizenship under the Citizenship Act
A registered company possesses several key characteristics, including being an artificial legal person with perpetual succession and limited liability. While it has a legal nationality and domicile based on its place of incorporation, it is not considered a natural citizen under the Citizenship Act. Only natural persons can attain citizenship, meaning a company does not enjoy the constitutional rights reserved for citizens.

30. (D) Entrenchment provisions mean specified provisions of the articles may be altered only if conditions more restrictive than a special resolution are met.
Entrenchment provisions allow a company to make certain sections of its articles more difficult to change than standard provisions. While articles are usually amended by a special resolution, entrenched clauses can only be altered if even more restrictive conditions or procedures are satisfied. This mechanism provides extra protection for specific rules, ensuring they cannot be easily changed by a majority of shareholders.

31. (A) P-3, Q-4, R-1, S-2
Independent directors must lack significant financial ties to the company, while alternate directors serve during an original director's absence of at least three months. Additional directors are appointed by the board until the next annual general meeting. Finally, whole-time directors are appointed for a maximum term of five years. These rules ensure a balance of governance, continuity, and professional management within companies.

32. (B) I and III only
Qualification shares are a requirement for directors to hold a specific number of shares, but this only applies if stipulated in the company's articles. For a private company, this requirement is not mandatory by law unless it is a subsidiary of a public company and the articles expressly demand it. Thus, the obligation depends heavily on the specific provisions of the articles.

33. (A) P-2, Q-4, R-1, S-3
Statutory companies are established via specific legislation, while guarantee companies involve members promising a set amount upon winding up. Unlimited companies leave members liable

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they are held in trust for the company. While managing directors can receive contractual compensation, any failure to follow the statutory disclosure rules results in a financial penalty of one lakh rupees for the director.

52. (B) P-2, Q-4, R-1, S-3
Membership is attained through several paths, including subscribing to the memorandum, which makes a person a member upon registration. Allotment involves the board assigning shares to an applicant. Transmission occurs when shares pass to a legal representative after a member's death. Finally, acquiescence happens when a person allows their name on the register, thus becoming estopped from denying their status as a company member.

53. (C) Partnership firm - Liability of partners is limited strictly to their profit-sharing ratio.
Companies limit member liability to unpaid share amounts or guaranteed sums, providing financial protection to investors. Unlimited companies, however, hold members liable for all debts. In a partnership firm, partners typically face unlimited liability for the firm's obligations, which is not strictly restricted by their profit-sharing ratio. This fundamental difference makes the corporate structure more attractive for limiting personal financial risk in business.

54. (D) I, II, III, and IV
The register of members is usually stored at the company's registered office. However, it can be kept at another location in the same town if shareholders pass a special resolution and the Registrar of Companies receives a copy of the proposal in advance. These steps ensure that the company remains compliant while allowing for administrative flexibility in managing its essential statutory records and documents.

55. (A) I and II only
Ultra vires transactions are void from the start and cannot be ratified by shareholders, even through a unanimous vote. If a director makes an unauthorized payment beyond the company's powers, they are personally responsible for repaying those funds to the company. This strict doctrine ensures that the company's capital is used only for the specific purposes authorized in its memorandum of association.

56. (B) P-4, Q-2, R-3, S-1
The memorandum of association contains vital clauses defining a company's identity. The name clause states the company's official title, while the registered office clause identifies the state of its headquarters. The objectives clause outlines the business activities the company will pursue. Finally, the capital clause specifies the authorized share capital and its division into shares, providing a clear structure for its financial base.

57. (B) I, II, III, and V only
A private company is defined by several restrictions, including limits on share transfers and a maximum of two hundred members. Employees who hold shares are excluded from this count. Most importantly, private companies are prohibited from issuing a prospectus or inviting the general public to subscribe to their shares. They also face strict rules regarding the acceptance of deposits from the public at large.

58. (A) To approach the NCLT for an investigation - Documentary Right
Members possess various rights categorized as statutory, proprietary, or documentary. Statutory rights, like inspecting the register or receiving meeting notices, are granted by law. Proprietary rights involve financial interests, such as asset distribution during liquidation. However, the right to approach the National Company Law Tribunal for an investigation is considered a statutory right granted by the Act, rather than a purely documentary right for members.

59. (B) I, II, and IV only
The memorandum of association is the primary charter defining a company's external boundaries and objects, while the articles of association manage internal regulations. The articles are subordinate to the memorandum and cannot override its provisions. While articles can be amended by a special resolution, any act that goes beyond the powers stated in the memorandum is ultra vires and cannot be ratified by shareholders.

60. (A) Only I
A company is recognized as a legal person with its own nationality based on its place of incorporation and a domicile where its registered office is located. However, a company is not a natural citizen, and the Citizenship Act does not

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powers under ultra vires. The Turquand case introduced the indoor management rule to protect outsiders. Lastly, Morgan v Gray addressed the rights of insolvent members, demonstrating how judicial precedents shape the interpretation of corporate legal principles.

43. (A) I and II only
Membership in a company can end through various legal processes, including the forfeiture of shares or a court-ordered sale. These actions remove the individual's name from the register of members. However, in the case of a member's death, the legal liability of the estate continues until the shares are formally transferred to a legal representative, ensuring that the company's financial interests remain protected.

44. (C) Both I and II
A partnership firm is not a distinct legal person and generally cannot hold shares in its own name. Consequently, it cannot directly become a member of a company. On the other hand, a registered trade union possesses a corporate status under the Trade Union Act. This legal recognition allows a trade union to be registered as a member and hold shares in its name.

45. (A) I, II, III, and IV only
Directors are usually appointed by shareholders in a general meeting. In public companies, at least two-thirds of directors must be subject to retirement by rotation, with one-third retiring at each annual general meeting. These retiring directors are typically those who have served the longest since their last appointment. Notably, independent directors are excluded from these specific calculations regarding retirement by rotation requirements.

46. (B) II, I, III, IV
If a retiring director's vacancy is not filled at an annual general meeting and no resolution against it is passed, specific rules apply. The meeting is first adjourned to the following week. If the vacancy remains unfilled at the adjourned meeting, the retiring director is then deemed re-appointed. This procedure ensures continuity in the board's composition when the shareholders fail to make a decision.

47. (D) I, II, III, and IV
Certain critical board powers must be exercised solely through formal meetings rather than through the circulation of papers. These include making calls on unpaid shares, issuing securities such as debentures, and making investment decisions for the company's funds. Additionally, approving major corporate restructurings like amalgamations or mergers requires the collective deliberation and formal voting that only a scheduled board meeting provides for directors.

48. (B) One Person Company - Minimum of one director
The Companies Act specifies different minimum director requirements based on the type of company structure. A public company must have at least three directors, while a private company requires a minimum of two. In the case of a One Person Company, only a single director is mandatory to fulfill legal requirements. These rules ensure that companies have an appropriate level of management and oversight.

49. (A) I and II only
Investors who subscribe to shares based on false information in a prospectus have legal remedies, including the right to rescind the contract. They can also claim damages from the company, regardless of whether the misstatement was made fraudulently or innocently. However, experts who withdraw their consent before the prospectus is registered are generally protected from criminal liability for any subsequent errors or misstatements.

50. (B) Only II
A shelf prospectus is a convenient regulatory tool that allows a company to issue securities multiple times over a set period without filing new offer documents for each tranche. This streamlines the issuance process. Conversely, a red herring prospectus is used during the initial stages of an offer and specifically lacks the final price and quantity details, which are finalized only after the subscription period.

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51. (B) I, II, III, and V only
Directors cannot receive compensation for losing their office during a business transfer without full disclosure and shareholder approval in a general meeting. If such payments are made prematurely,

for all debts in proportion to their interest. Government companies require a majority ownership of at least fifty-one percent by the state. Each classification defines the legal boundaries and financial responsibilities of the members and the corporate entity.

34. (B) I, II, and IV only
Section 185 generally prohibits companies from advancing loans or providing guarantees to their directors or related parties. However, certain exemptions exist, such as for guarantees extended to a subsidiary company, provided specific legal conditions are met. While direct loans to directors are restricted, the law allows flexibility for corporate groups under prescribed circumstances to ensure operational efficiency while maintaining financial oversight and transparency.

35. (B) Only II
In legal terms, a minor is incompetent to enter into a contract, meaning they cannot independently become a member of a company. If shares are accidentally allotted to a minor and their name is entered in the register, they cannot be held liable for any calls or debts. The minor remains protected from financial obligations throughout their period of legal minority status.

36. (A) I, II, III, and IV only
A director's office becomes vacant under several specific conditions mandated by law. These include missing all board meetings for a year, failing to disclose personal interests in contracts, or being disqualified by a court. Furthermore, a conviction for an offence involving moral turpitude resulting in at least six months of imprisonment triggers immediate vacancy, regardless of whether an appeal is currently filed.

37. (A) I, II, III, IV
The process for a Red Herring Prospectus follows a specific chronological order to ensure regulatory compliance. First, the document is filed with the Registrar three days before the offer opens. Next, the subscription list and offer are opened to investors. After the offer closes, a final prospectus detailing the total capital raised and the closing price is filed with the relevant authorities.

38. (D) I, II, and III
A small company is defined as a private entity that meets specific financial criteria regarding its paid-up capital and annual turnover. The law sets the paid-up capital limit at four crore rupees and the turnover limit at forty crore rupees. These thresholds distinguish small companies from larger private entities, allowing them to benefit from simplified regulatory requirements and various exemptions under the Act.

39. (B) I, III, and IV only
Independent directors must be individuals of high integrity with relevant expertise who have no significant pecuniary relationship with the company. They cannot be promoters or relatives of promoters of the company or its holding entities. Additionally, strict limits are placed on the value of securities held by their relatives to ensure the director remains truly objective and free from any undue influence.

40. (D) Red herring prospectus - Does not include complete particulars of the quantum or price of the securities.
Different types of prospectuses serve unique functions in the capital-raising process. A red herring prospectus is specifically characterized by its lack of complete details regarding the final price or quantum of securities being offered. This allows companies to determine market demand before finalizing these particulars. In contrast, shelf and abridged prospectuses have different definitions and legal requirements under the Companies Act provisions.

41. (B) I, II, III, and V only
Public companies use prospectuses to raise funds from the public, a practice prohibited for private companies by their articles. Every person named as a director must sign the prospectus before it is issued. However, a prospectus is not legally required when shares are offered only to existing shareholders or when someone is merely invited to enter into a preliminary business agreement with the company.

42. (A) P-2, Q-4, R-1, S-3
Legal doctrines in company law are often defined by foundational cases. Salomon established the independent personality of a corporation, while Ashbury Railway defined the limits of corporate

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apply to it. Therefore, while it has legal standing and a clear geographical identity, it does not possess the status of citizenship.

61. (C) Mr. Sharma, as a secured debenture holder, is paid first from the assets, which leaves no remaining funds for the unsecured creditors.
Based on the Salomon principle, a company is a separate legal entity from its owners. In this scenario, Mr. Sharma holds secured debentures, which gives him priority over unsecured creditors during liquidation. Since the assets are insufficient to cover his secured debt, he is paid first, leaving nothing for the unsecured creditors. This outcome affirms the legal distinction between the company and individuals.

62. (A) It shall be determined by lot between A and B.
When multiple directors were appointed on the same day and are liable to retire by rotation, they must agree among themselves who will retire. If they cannot reach an agreement, the decision is made by drawing lots. In this specific case, since A and B were appointed simultaneously and there is no agreement between them, the retiring director must be determined by lot.

63. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A subscriber to the memorandum of association is uniquely positioned in company law. Upon the company's registration, the subscriber is legally deemed to have agreed to become a member. This automatic process means that neither a formal application form nor a specific allotment of shares is required to establish their membership status. The law ensures immediate membership for those who found the corporate entity.

64. (A) Yes, because Company A controls the majority composition of the board of directors.
A subsidiary relationship is established if one company controls the composition of the board of directors of another company. Even without holding a majority of the shares, Company A is the holding company because it has the power to appoint the majority of Company B's directors. This control over management and decision-making is sufficient under the law to define Company B as a subsidiary.

65. (D) Assertion (A) is false, but Reason (R) is true.
The doctrine of constructive notice does not protect the company's insiders; instead, it operates in favor of the company against outsiders. It presumes that any person dealing with the company has read and understood the public documents like the memorandum and articles. Therefore, while the reason regarding the presumption of knowledge is true, the assertion that it protects insiders is legally incorrect.

66. (B) The variation must be highlighted as a variation in the final prospectus.
When a company uses a red herring prospectus, the final price and quantum are determined later. If there is a variation between the information in the red herring document and the final prospectus, the company is legally required to highlight these specific differences in the final document. This ensures that investors are fully informed of any changes before the offering is officially concluded and finalized.

67. (C) The company is bound by the loan because Mr. X was entitled to assume that the internal resolution had been duly passed by the board.
The doctrine of indoor management protects outsiders who deal with a company in good faith. Mr. X is entitled to assume that the directors have followed all internal procedures, such as passing a shareholder resolution, before borrowing the money. Since the loan amount was within the limits specified in the articles, the company is bound by the agreement and cannot use internal failures as a defense.

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68. (D) Assertion (A) is false, but Reason (R) is false.
In company law, joint holders of shares are generally treated as a single member for administrative purposes, such as counting towards membership limits or sending official notices. They do not enjoy independent rights or separate recording as distinct members. Therefore, both the claim that they are independent members for notices and the reason that they require separate recording are false under the current legal framework.

69. (D) No, because he had a pecuniary relationship exceeding ten percent of his income with the

business of the LLP alone until September 30 of the same year, fully aware that he is carrying on the business with himself alone. During the period from August 1 to September 30, the LLP incurs substantial debts. Under the Limited Liability Partnership Act, how will the liability for these debts be treated?

(A) The limited liability partnership alone shall be liable for the contractual obligations incurred during that time.
(B) Mr. X and Mr. Y shall be jointly liable for the business debts since the entity was originally established by both.
(C) The debts are deemed void as an LLP cannot legally operate with a single partner under any statutory circumstances.
(D) Mr. X shall be liable personally for the obligations of the LLP incurred during that specific period.

May/June 2017

24. What evidentiary value does the certificate of incorporation issued by the Registrar hold for a Limited Liability Partnership?

(A) It is prima facie evidence that the partners of the entity have unlimited liability.
(B) It is rebuttable evidence that all the business activities proposed are lawful in nature.
(C) It serves as an acknowledgment of document submission without any legal evidentiary value.
(D) It is conclusive evidence that the LLP is incorporated by the name specified therein.

Oct/Nov 2005

25. Every designated partner of a limited liability partnership is required to obtain a specific identification number from the Central Government. What is the correct acronym for this number?

(A) PAN (Permanent Account Number)
(B) DPIN (Designated Partner Identification Number)
(C) DIN (Director Identification Number)
(D) LPIN (Limited Partner Identification Number)

May/June 2020

26. Which of the following explicitly excluded from the definition of a "body corporate" under the Limited Liability Partnership Act?

(A) A company incorporated outside India
(B) A limited liability partnership incorporated outside India
(C) A company defined in clause (20) of section 2 of the Companies Act, 2013
(D) A corporation sole

Oct/Nov 2015

27. The registration of GHI LLP was allegedly procured through fraudulent misrepresentations by its founding partners. A third party, relying on the genuine certificate of registration issued by the Registrar, entered into a commercial contract with GHI LLP. When a dispute arises, the partners argue that since the registration was obtained by fraud, the LLP cannot be held liable. Based on the legal principles related to the effect of registration, how should this contention be addressed?

(A) The certificate of registration remains genuine and the firm is responsible for actions done after its registration.
(B) The LLP is dissolved immediately upon discovery of fraud, and the contract is deemed void ab initio for all parties.
(C) The third party must sue the Registrar for issuing a certificate based on documents that were later found fraudulent.
(D) The limited liability partnership is shielded from liability, and the third party must bear the resulting loss alone.

May/June 2013

28. Consider the following statements regarding the capability of an individual to become a partner in a Limited Liability Partnership:

I. An individual found to be of unsound mind by a Court of competent jurisdiction and the finding is in force.
II. An individual who is an undischarged insolvent.
III. An individual who has applied to be adjudicated as an insolvent and his application is pending.

Which of the above conditions render an individual incapable of becoming a partner?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

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77. (C) He can either rescind the contract or claim damages from the company for the untrue statement which induced him to purchase the shares.
An investor who is induced to buy shares by a misstatement in a prospectus has several civil remedies. Mr. R can choose to rescind the contract, which returns his investment and cancels the shares. Alternatively, he can claim damages from the company to compensate for the financial loss caused by the false statement. These rights protect investors from being misled by fraudulent or inaccurate offer documents.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The memorandum of association is the company's constitution, defining its fundamental objects and the extent of its powers. The articles of association are subordinate to the memorandum and provide the internal rules for management. If there is any conflict between the two, the memorandum prevails. This hierarchy ensures that the company does not engage in activities beyond its authorized legal capacity as established.

79. (B) No, because Mr. Y had actual knowledge of the internal irregularity, which constitutes a recognized exception to the indoor management doctrine.
The doctrine of indoor management protects outsiders who are unaware of internal irregularities. However, this protection is not available to someone who has actual knowledge of the procedural flaw. Since Mr. Y, as a consultant with access to internal records, knew that the required special resolution had not been passed, he cannot rely on the doctrine to enforce the contract against the company's repudiation.

80. (A) Mr. Smith is punishable with imprisonment for a term which may extend to five years.
Using a fictitious name to apply for shares or induce a company to allot shares is a serious offence under the Companies Act. Such fraudulent actions are strictly prohibited to maintain the integrity of the share allotment process. Any person found guilty of this act, like Mr. Smith in this scenario, faces severe punishment, including imprisonment for a term that may extend to five years.

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requirement regarding his identification, he must obtain a specific number from the Central Government. Based on the provisions applying mutatis mutandis from the Companies Act, 2013, which of the following actions is legally required of Mr. Gupta?

(A) He must obtain a Permanent Account Number exclusively for limited liability partnership bank transactions.
(B) He must register his existing personal bank account number with the National Company Law Appellate Tribunal.
(C) He must apply for a special corporate seal from the Registrar to validate all formal partnership documents.
(D) He must obtain a Designated Partner Identification Number (DPIN) from the Central Government as required.

Oct/Nov 2013

35. PQR LLP fails to file its annual return for a period of 40 days beyond the statutory deadline. If the penalty prescribed is one hundred rupees for each day during which the failure continues, what is the maximum aggregate penalty that can be imposed specifically on the limited liability partnership itself, excluding the designated partners, under the Act?

(A) One lakh rupees
(B) Fifty thousand rupees
(C) Five lakh rupees
(D) Ten lakh rupees

May/June 2015

36. Which of the following professionals is explicitly authorized under Section 11 to make a statement in the prescribed form regarding compliance with incorporation requirements?

(A) A Cost Accountant who is engaged in the formation of the limited liability partnership entity.
(B) A certified financial planner who is registered with the Securities and Exchange Board of India.
(C) A registered valuer appointed by the Central Government to assess the assets of the partnership.
(D) An internal auditor of any partner's existing business who oversees the financial transactions.

Oct/Nov 2012

37. Consider the following statements regarding a former partner of a Limited Liability Partnership:

I. A former partner is regarded as still being a partner in relation to any person dealing with the limited liability partnership unless that person has notice of the cessation or a notice has been delivered to the Registrar.
II. The cessation of a partner automatically discharges the partner from all obligations to the limited liability partnership incurred while being a partner.

Which of the above statement(s) is/are correct?

(A) Statement I is correct and Statement II is incorrect.
(B) Statement I is incorrect and Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Both Statement I and Statement II are incorrect.

May/June 2011

38. Regarding the service of documents on a Limited Liability Partnership, consider the following statements:

I. A document may be served by sending it by post under a certificate of posting.
II. A document may be served only at the registered office and no other address.
III. A document may be served by registered post.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) I, II, and III
(D) Only I and III

Oct/Nov 2020

39. VWX LLP is formed exclusively by three distinct private limited companies as its partners. To meet the statutory requirement for designated partners under the Limited Liability Partnership Act, how must VWX LLP structure its designated partnership?

(A) The three private limited companies will directly act as the designated partners.
(B) It must invite at least two independent individuals from the general public to act as designated partners.
(C) The requirement is waived, and the Registrar will manage the compliance on their behalf.

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(A) It is determined strictly by the provisions and regulations of the Indian Partnership Act, 1932 as amended.
(B) It is determined by the provisions relating to that matter as are set-out in the First Schedule of the statute.
(C) It is determined by the arbitrary decision of the designated partners as agreed upon in a special resolution.
(D) It is determined through mandatory arbitration directed by the Appellate Tribunal as per the rules of the Act.

Oct/Nov 2018

7. According to the definitions provided in the Limited Liability Partnership Act, which of the following is explicitly included within the meaning of the term "entity"?
(A) Only a company incorporated under the Companies Act, 2013
(B) Any body corporate and a firm setup under the Indian Partnership Act, 1932
(C) A co-operative society registered under any prevailing law
(D) A corporation sole established by the Central Government

May/June 2007

8. Consider the following statements regarding designated partners in a Limited Liability Partnership:
I. The incorporation document may specify who are to be designated partners.
II. Any partner may become a designated partner in accordance with the limited liability partnership agreement.
III. An individual may become a designated partner without providing prior consent to act as such.
IV. The limited liability partnership must file the particulars of every individual who has consented to act as a designated partner within thirty days of their appointment.
Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) I, II, and IV
(C) II, III, and IV
(D) I, III, and IV

Oct/Nov 2009

9. Consider the following actions involved in the incorporation of a Limited Liability Partnership:
I. The Registrar issues a certificate that the limited liability partnership is incorporated.
II. Persons associated for carrying on lawful business subscribe their names to an incorporation document.
III. The Registrar retains and registers the incorporation document within a period of fourteen days.
IV. A statement made by a Chartered Accountant, Company Secretary, Cost Accountant, or advocate is filed along with the incorporation document.
What is the correct chronological order of the above actions?
(A) II, IV, III, I
(B) IV, II, I, III
(C) II, III, IV, I
(D) III, I, II, IV

May/June 2012

10. Consider the following statements regarding the characteristics of a Limited Liability Partnership as a body corporate:
I. A limited liability partnership is a body corporate formed and incorporated under the Act and is a legal entity separate from that of its partners.
II. Any change in the partners of a limited liability partnership inherently affects the existence, rights, or liabilities of the limited liability partnership.
Which of the above statement(s) is/are correct?
(A) Statement I is correct and Statement II is incorrect.
(B) Statement I is incorrect and Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Both Statement I and Statement II are incorrect.

Oct/Nov 2022

11. Consider the following statements regarding the cessation of a partner in a Limited Liability Partnership:
I. A person ceases to be a partner upon his death or dissolution of the limited liability partnership.
II. A person ceases to be a partner if he is declared to be of unsound mind by a competent court.
III. A person continues to be a partner even after

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CHAPTER 29
Limited Liability Partnership Act, 2008

Oct/Nov 2014

1. How is the "Appellate Tribunal" defined in the context of the Limited Liability Partnership Act?
(A) The Debt Recovery Appellate Tribunal constituted under the SARFAESI Act for recovering dues from defaulted borrowers.
(B) The Securities Appellate Tribunal constituted under the SEBI Act to hear appeals against orders issued by the Board.
(C) A specialized internal tribunal formed by the Registrar of Companies to resolve disputes within limited liability partnerships.
(D) The National Company Law Appellate Tribunal constituted under section 410 of the Companies Act, 2013.

May/June 2023

2. DEF LLP is penalized for failing to file its annual returns and other mandatory documents as required by the Limited Liability Partnership Act. The designated partners claim that the LLP as a corporate body should solely bear the penalty. Based on the statutory liabilities of designated partners, what is the correct legal position?
(A) The designated partners are shielded entirely from penalties due to the concept of limited liability for the entity.
(B) The designated partners are liable only if they explicitly agreed to bear such penalties in the original agreement.
(C) The designated partners are liable to all penalties imposed on the LLP for any contravention of the Act's provisions.
(D) The penalty must be borne solely by the professional auditor who failed to file the annual returns in a timely manner.

Oct/Nov 2006

3. What constitutes a "body corporate" as per the definitions provided in Section 2 of the Limited Liability Partnership Act?
(A) Limited liability partnerships registered within the territory of India but excluding those formed under foreign laws.
(B) Any corporation sole or co-operative society operating within the commercial jurisdiction of India or its states.
(C) Companies under the Companies Act, 2013, including LLPs registered in India or those incorporated outside the country.
(D) Any firm setup explicitly under the Indian Partnership Act, 1932 to conduct business activities within India.

May/June 2009

4. Upon registration, a limited liability partnership becomes capable of performing several acts by its name. Which of the following is NOT explicitly mentioned as one of these capabilities under Section 14?
(A) Suing and being sued
(B) Acquiring, owning, holding and developing or disposing of property
(C) Issuing equity shares to the general public to raise operational capital
(D) Having a common seal, if it decides to have one

Oct/Nov 2025

5. According to the Limited Liability Partnership Act, what is the mandatory minimum number of designated partners required in every limited liability partnership?
(A) At least one designated partner who is an individual
(B) At least two designated partners who are individuals
(C) At least three designated partners, one of whom must be a body corporate
(D) At least five designated partners who are residents in India

May/June 2016

6. In a Limited Liability Partnership, if there is no explicit agreement regarding a specific matter concerning the mutual rights and duties of the partners, how is that matter determined?

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(C) An LLP may change the place of its registered office subject to the conditions prescribed under the Act.
(D) Documents may be served on an LLP by sending it by post under a certificate of posting or by registered post.

May/June 2018

18. If a particular word or expression is used in the Limited Liability Partnership Act but not defined within it, how should its meaning be determined?
(A) By referring to the meanings respectively assigned to them in the Companies Act, 2013
(B) By referring to the definitions provided in the Indian Partnership Act, 1932
(C) By referring to the General Clauses Act, 1897
(D) By applying the common parlance meaning of the word or expression

Oct/Nov 2016

19. Consider the following statements concerning the incorporation document of a Limited Liability Partnership:
I. Two or more persons associated for carrying on a lawful business with a view to profit shall subscribe their names.
II. It must state the proposed business of the limited liability partnership.
III. It must include the name and address of each of the persons who are to be partners.
IV. It must contain the name and address of the persons who are to be designated partners.
V. It requires a statement in a prescribed form made only by an advocate that all requirements of the Act have been complied with.
Which of the above statement(s) is/are correct?
(A) II, III, IV, and V
(B) I, III, IV, and V
(C) I, II, IV, and V
(D) I, II, III, and IV

May/June 2014

20. Mr. John, a foreign national, wishes to become a designated partner in an Indian Limited Liability Partnership. To qualify as a "resident in India" for this purpose, he must have stayed in India for a specific period during the financial year. If Mr. John stayed in India for exactly 110 days in that period, what is his eligibility status regarding the residency requirement?
(A) He does not satisfy the requirement as the minimum stay required is not less than 120 days during the financial year.
(B) He satisfies the requirement as the minimum stay required is 110 days.
(C) He satisfies the requirement because foreign nationals only need a minimum stay of 100 days.
(D) He does not satisfy the requirement because foreign nationals are permanently barred from becoming designated partners.

Oct/Nov 2007

21. Which of the following pairs correctly matches the circumstance of a partner with the prescribed legal mechanism for cessation?
(A) Adjudication as an insolvent — Providing a fifteen-day verbal notice to the Registrar of the local jurisdiction.
(B) Death of a partner — Filing a formal legal suit in the National Company Law Appellate Tribunal for settlement.
(C) Voluntary resignation — Giving a notice in writing of not less than thirty days to the other partners of the LLP.
(D) Dissolution of the partnership — Procuring a new Designated Partner Identification Number for all members.

May/June 2025

22. Regarding the definitions under the Limited Liability Partnership Act, which of the following statements is incorrect?
(A) "Appellate Tribunal" means the National Company Law Appellate Tribunal as constituted under the Companies Act, 2013.
(B) Undefined words shall automatically have the meanings assigned to them in the Indian Partnership Act, 1932.
(C) "Designated partner" means any partner who is designated as such by the partners pursuant to the provisions of section 7.
(D) "Limited liability partnership agreement" means any written agreement determining the mutual rights and duties of the partners.

Oct/Nov 2024

23. ABC LLP was formed with two partners, Mr. X and Mr. Y. On January 1, Mr. Y resigns, leaving Mr. X as the sole partner. Mr. X continues the

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applying to be adjudged as an insolvent, until the adjudication is complete.

Which of the above statement(s) is/are correct?

(A) Only II and III
(B) Only I and III
(C) I, II, and III
(D) Only I and II

May/June 2019

12. Which of the following best describes a "foreign limited liability partnership"?

(A) An LLP formed within India that conducts its commercial operations and trade activities exclusively outside India.
(B) A corporate body incorporated outside India that holds equity shares in a registered Indian limited liability partnership.
(C) An LLP formed, incorporated, or registered outside India that establishes a place of business within India.
(D) Any foreign entity or business trust that engages in financial transactions with an Indian limited liability partnership.

Oct/Nov 2010

13. Which of the following pairs correctly matches the statutory requirement with its corresponding timeframe under the Limited Liability Partnership Act?

(A) Appointment of a designated partner to fill a vacancy — Within thirty days of the vacancy arising
(B) Filing particulars of consent to act as a designated partner — Within fifteen days of appointment
(C) Filing the incorporation document with the Registrar — Within sixty days of drafting the agreement
(D) Informing the Registrar of Firms upon conversion to LLP — Within forty-five days of registration

May/June 2021

14. In a scenario where all the partners in a Limited Liability Partnership are bodies corporate, how is the statutory requirement for designated partners fulfilled?

(A) The bodies corporate themselves act directly as designated partners without individual representation in the partnership.
(B) The requirement for designated partners is waived for such limited liability partnerships by the Central Government.
(C) At least two individuals who are nominees of such bodies corporate shall act as designated partners.
(D) The Registrar must appoint independent external individuals to serve as designated partners for these corporations.

Oct/Nov 2019

15. At what precise moment do the persons who subscribed their names to the incorporation document officially become partners of the Limited Liability Partnership?

(A) As soon as the incorporation document is drafted
(B) Thirty days after the incorporation document is filed with the Registrar
(C) Once the first annual return is successfully filed
(D) As soon as a limited liability partnership is incorporated

May/June 2005

16. Regarding the applicability of the Indian Partnership Act, 1932 to a Limited Liability Partnership, which of the following statements is accurate?

(A) The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership, except as provided.
(B) All provisions of the Indian Partnership Act, 1932 apply mutually to every registered limited liability partnership firm.
(C) The Indian Partnership Act, 1932 applies only when a formal limited liability partnership agreement has not been executed.
(D) The Indian Partnership Act, 1932 applies exclusively to the designated partners as defined under the specific Act.

Oct/Nov 2011

17. Regarding the registered office of a Limited Liability Partnership, which of the following statements is incorrect?

(A) Changes in the registered office take effect immediately upon the internal resolution of the partners and do not require notification to the Registrar to be effective.
(B) Every LLP shall have a registered office to which all communications and legal notices may be addressed.

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Oct/Nov 2021

29. Match the legal consequence of making a false statement in the incorporation document with the corresponding specification as per the Limited Liability Partnership Act.

List I: (Legal Consequence)

P. Term of imprisonment
Q. Minimum fine amount
R. Maximum fine amount
S. Requirement for punishment

List II: (Specification)

1. May extend to five lakh rupees
2. May extend to two years
3. Knows to be false or does not believe to be true
4. Not less than ten thousand rupees

(A) P-2, Q-4, R-1, S-3
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-2, R-3, S-1
(D) P-3, Q-1, R-4, S-2

May/June 2024

30. For the purpose of determining eligibility to be a designated partner, how is the term "resident in India" defined?

(A) A person who holds a valid Indian passport and is currently recognized as a citizen of India.
(B) A person who has stayed in India for at least 120 days during the preceding financial year.
(C) A person who owns residential property in India regardless of the actual duration of their stay.
(D) A person who stayed in India for at least 120 days during the financial year.

Oct/Nov 2008

31. Consider the following statements regarding the registration of conversion into a Limited Liability Partnership:

I. The Registrar shall issue a certificate of registration upon being satisfied that the provisions of the relevant Schedule have been complied with.
II. The converting entity must inform the concerned Registrar of Firms or Registrar of Companies about the conversion within thirty days of the date of registration.
III. Upon conversion, the partners or shareholders of the converting entity shall be bound by the provisions of the applicable Schedule.
IV. The certificate of registration issued by the Registrar specifies the date from which the limited liability partnership is registered under the Act.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

May/June 2006

32. The concept of "perpetual succession" as applied to a Limited Liability Partnership under Section 3 implies which of the following?

(A) The partners' personal assets are permanently tied to the liabilities of the partnership under statutory law.
(B) Changes in the partners shall not affect the existence, rights, or liabilities of the limited liability partnership.
(C) The limited liability partnership is mandated to perpetually renew its registration every single financial year.
(D) The management of the partnership must automatically pass to the legal heirs of a deceased designated partner.

Oct/Nov 2017

33. Mr. Brown, a former partner of MNO LLP, attempts to veto a major strategic decision being made by the current management, citing his significant past contributions and the financial stake he is still owed due to his recent resignation. Does Mr. Brown have the legal right to interfere in the management of the LLP?

(A) Yes, he retains full voting rights until his final financial settlement is completely paid out by the partnership.
(B) No, a former partner or person entitled to his share shall not have any right to interfere in the management.
(C) Yes, but his interference is limited to decisions that directly affect his pending accumulated profit shares.
(D) No, unless the Registrar of Companies explicitly grants him temporary management privileges under the statute.

May/June 2008

34. Mr. Gupta is appointed as a designated partner in a newly formed LLP. To fulfill the statutory

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company during the preceding two financial years.
To ensure independence, a director must not have a significant pecuniary relationship with the company. The law disqualifies anyone who had transactions exceeding ten percent of their total income with the company during the preceding two financial years. Since Mr. K's firm had transactions amounting to fifteen percent of his income, he fails this criteria and is ineligible for appointment as an independent director.

70. (C) The change of State in the memorandum requires a special resolution and Central Government approval, while the alteration of the articles requires only a special resolution.
Changing the location of a registered office from one state to another requires altering the memorandum of association, which necessitates a special resolution and approval from the Central Government. In contrast, altering the articles of association for internal procedural rules, such as board meeting notice periods, only requires a special resolution from the shareholders. These two actions follow different regulatory paths for legal validation.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Directors act as agents of the company and are expected to operate within the legal boundaries set by the memorandum. If a director induces an outsider to enter into an ultra vires contract, they breach their implied warranty of authority. Consequently, the director becomes personally liable to the innocent outsider for any losses, as the company itself cannot be bound by such unauthorized acts.

72. (D) The bank can trace the real estate property created out of the borrowed funds and proceed against that specific asset for recovery.
Under the doctrine of tracing, a lender who provides funds for an ultra vires purpose can still recover their money if it was used to buy specific property. Since the bank's loan was used to purchase real estate, the bank can identify and claim that specific asset. This allows the bank to proceed against the property for recovery, even though the loan contract itself is void.

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73. (B) No, because the maximum number of public companies in which a person can be appointed as a director shall not exceed ten by law.
The Companies Act limits the number of directorships an individual can hold to twenty companies in total. However, within this limit, a person cannot serve as a director in more than ten public companies simultaneously. Because Mr. V is currently holding directorships in twelve public companies, he is in violation of the legal maximum limit prescribed for public company appointments under the current law.

74. (D) The company and the minor have a right to rescind the transaction, and the minor incurs no liability for any unpaid share capital.
A contract with a minor is void from the beginning because a minor lacks the legal capacity to contract. If a company mistakenly allots shares to a minor, both the company and the minor have the right to rescind the transaction. The minor cannot be held liable for any unpaid share capital, and their name must be removed from the company's register of members.

75. (A) The court will pierce the corporate veil because the persons managing the company have indulged in fraudulent acts for their own benefit.
While a company is usually a separate legal entity, the court can pierce the corporate veil if the entity is used for fraudulent purposes. In this scenario, the directors used the company as a shield to siphon off funds and defraud creditors. Therefore, the court will likely hold the directors personally liable for the company's debts to ensure that the fraudulent actors are punished.

76. (C) He can continue operating as an OPC without any mandatory conversion as the mandatory thresholds for conversion have been removed.
Recent amendments to the Companies Act and relevant rules have significantly simplified the regulations for One Person Companies. The previous mandatory thresholds for paid-up capital and annual turnover that triggered a compulsory conversion into a private or public company have been removed. Consequently, an OPC can now continue to operate regardless of its turnover or capital growth without being forced to change its structure.

(D) At least two individuals who are nominees of these bodies corporate shall act as designated partners.

May/June 2022

40. Upon the conversion of a private company into a Limited Liability Partnership and the issuance of the certificate of registration, what is the legal status of the tangible and intangible property previously vested in the company?

(A) It must be sold at fair market value and the proceeds transferred to the new limited liability partnership.

(B) It requires a fresh deed of conveyance to legally transfer the ownership to the designated partners.

(C) It reverts to the Central Government until the final audit of the dissolved company is completed.

(D) It shall be transferred to and shall vest in the limited liability partnership without further assurance, act, or deed.

Oct/Nov 2023

41. The Limited Liability Partnership Act provides frameworks for various entities to convert into a limited liability partnership. According to the relevant sections of the Act, which of the following entities is NOT expressly mentioned as having a provision to convert into an LLP?

(A) A partnership firm

(B) A listed public company

(C) A private company

(D) An unlisted public company

May/June 2010

42. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R). Select the correct option:

Assertion (A): A traditional partnership firm has the option to convert into a limited liability partnership under the provisions of the Limited Liability Partnership Act.

Reason (R): The conversion of a partnership firm into a limited liability partnership is governed exclusively by the First Schedule of the Act.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2014

43. Match the event with the corresponding timeline prescribed under the Limited Liability Partnership Act.

List I: (Event)

P. Intention of a partner to resign

Q. Appointing a new designated partner upon a vacancy arising

R. Filing the annual return after the closure of the financial year

S. Informing the Registrar of Firms upon conversion to LLP

List II: (Timeline)

1. Fifteen days
2. Thirty days
3. Sixty days
4. Not less than thirty days

(A) P-4, Q-2, R-3, S-1

(B) P-1, Q-3, R-2, S-4

(C) P-2, Q-4, R-1, S-3

(D) P-3, Q-1, R-4, S-2

May/June 2023

44. For the failure to file the annual return within the prescribed period, the Limited Liability Partnership Act imposes daily penalties subject to maximum caps. Which of the following statements does NOT correctly reflect these statutory limits?

(A) The penalty is one hundred rupees for each day during which the failure to file the annual return continues.

(B) The limited liability partnership entity is subject to a maximum penalty cap of one lakh rupees for default.

(C) The designated partners are subject to a maximum penalty cap of fifty thousand rupees for the same failure.

(D) The penalty is capped at five lakh rupees for both the LLP and designated partners combined in all circumstances.

Oct/Nov 2006

45. Regarding the eligibility and requirements to be a partner in a Limited Liability Partnership, which of the following statements is incorrect?

(A) Any individual or body corporate may be a partner in a limited liability partnership under the current Act.

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Oct/Nov 2013

77. Consider the following statements concerning the penalties for failing to file the annual return before the expiry of the specified period:

I. The limited liability partnership and its designated partners shall be liable to a penalty of one hundred rupees for each day during which the failure continues.

II. The maximum penalty for the limited liability partnership is subject to a limit of one lakh rupees.

III. The maximum penalty for designated partners is subject to a limit of fifty thousand rupees.

Which of the above statement(s) is/are correct?

(A) Only I and II
(B) Only II and III
(C) Only I and III
(D) I, II, and III

May/June 2015

78. Consider the following statements regarding the impact of changes in partners on a Limited Liability Partnership:

I. A change in the partners inherently affects the existence of the limited liability partnership.

II. A change in the partners does not affect the rights of the limited liability partnership.

III. A change in the partners does not affect the liabilities of the limited liability partnership.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II and III
(C) Only I and II
(D) I, II, and III

Oct/Nov 2012

79. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R). Select the correct option:

Assertion (A): A person making a statement in the incorporation document that they know to be false is liable for imprisonment and a fine.

Reason (R): The incorporation document requires a mandatory statement from a qualified professional and a subscriber that all requirements of the Act have been complied with.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2011

80. Prior to the incorporation of LMN LLP, its future partners drafted and signed a written agreement imposing certain operational obligations on the prospective LLP. The LLP is successfully incorporated on June 1. For this pre-incorporation agreement to legally bind the newly formed LMN LLP, what procedural step must be taken by the partners?

(A) The agreement must be ratified by all the partners after the incorporation of the limited liability partnership.
(B) The agreement must be notarized and approved by the National Company Law Appellate Tribunal in its next session.
(C) The agreement must be officially approved by the National Financial Reporting Authority after due verification.
(D) The agreement must be published in the Official Gazette within thirty days of the incorporation of the entity.

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(A) I, II, III, IV
(B) I, III, II, IV
(C) II, I, III, IV
(D) I, IV, III, II

Oct/Nov 2009

51. Due to a tragic accident, one of the two partners in YZ LLP passes away. The surviving partner, Mr. Adams, continues the business operations of YZ LLP alone for eight months before inducting a new partner. The business incurs debts during the seventh and eighth months of this solo operation. Mr. Adams has full knowledge of the fact that he is carrying on the business alone. Is Mr. Adams personally liable for these specific debts?
(A) No, the principle of limited liability protects him unconditionally under all circumstances provided in the Act.
(B) No, the liability falls exclusively on the estate of the deceased partner for all debts incurred after death.
(C) Yes, but his personal liability is restricted to a maximum of fifty thousand rupees as per the statutory limit.
(D) He is liable for the LLP's obligations incurred during that period after the initial six months of solo operation.

May/June 2012

52. Match the type of entity converting into an LLP or related provision with the corresponding Schedule of the Limited Liability Partnership Act.
List I: (Entity or Provision)
P. Conversion from firm into limited liability partnership
Q. Conversion from private company into limited liability partnership
R. Conversion from unlisted public company into limited liability partnership
S. Mutual rights and duties in absence of agreement
List II: (Schedule Number)
1. First Schedule
2. Second Schedule
3. Third Schedule
4. Fourth Schedule
(A) P-2, Q-3, R-4, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2022

53. Consider the following statements regarding the auditing and accounting standards for Limited Liability Partnerships as per the relevant statutory provisions:
I. The Central Government may prescribe the standards of accounting.
II. The Central Government acts independently without consultation with any other authority to prescribe these standards.
III. Consultation with the National Financial Reporting Authority is required.
IV. The standards of auditing are prescribed as recommended by the Institute of Chartered Accountants of India.
V. These provisions apply only to a specific class or classes of limited liability partnerships as may be determined.
Which of the above statement(s) is/are correct?
(A) I, II, IV, and V
(B) II, III, IV, and V
(C) I, III, IV, and V
(D) I, III, and IV only

May/June 2019

54. What happens to a private company immediately following the date of registration specified in the certificate of registration when it successfully converts into a Limited Liability Partnership?
(A) It continues to exist in parallel with the newly formed limited liability partnership for auditing purposes.
(B) It is placed under a mandatory temporary suspension period of ninety days by the jurisdictional Registrar.
(C) It is deemed to be dissolved and removed from the records of the Registrar of Companies as a separate entity.
(D) Its legal status is downgraded to a sole proprietorship firm until the conversion process is fully audited.

Oct/Nov 2010

55. Consider the following statements regarding the change of a registered office by a Limited Liability Partnership:
I. A limited liability partnership may change the place of its registered office by simply passing a resolution without any requirement to notify the Registrar.
II. Any change in the registered office shall

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Registrar within thirty days of their appointment to ensure transparency.

9. (A) II, IV, III, I
The incorporation process begins with persons subscribing their names to an incorporation document. A statement of compliance from a professional, such as a Chartered Accountant, must accompany this document. Subsequently, the Registrar retains and registers the documents within fourteen days. Finally, the Registrar issues a certificate of registration, officially confirming the incorporation of the limited liability partnership entity.

10. (A) Statement I is correct and Statement II is incorrect.
A limited liability partnership is a body corporate formed and incorporated under the Act, functioning as a distinct legal entity from its partners. Due to the principle of perpetual succession, any changes in the partners do not affect the continued existence, rights, or liabilities of the entity. This ensures the partnership remains a stable and continuous corporate body.

11. (D) Only I and II
A person ceases to be a partner in a limited liability partnership upon their death, the dissolution of the entity, or if they are declared of unsound mind by a competent court. While applying for insolvency is a step toward cessation, the individual officially ceases to be a partner only upon being declared an insolvent by the court.

12. (C) An LLP formed, incorporated, or registered outside India that establishes a place of business within India.
A foreign limited liability partnership is defined as an entity formed, incorporated, or registered outside the territory of India. For it to be recognized as such under Indian law, it must establish a place of business within India. This allows foreign-registered LLPs to operate legally in India while maintaining their original incorporation status in another country.

13. (A) Appointment of a designated partner to fill a vacancy — Within thirty days of the vacancy arising
The Limited Liability Partnership Act prescribes specific timeframes for various compliance activities. When a vacancy arises in the position of a designated partner, the partnership is required to fill that vacancy within thirty days. Other requirements, such as filing particulars of consent or informing the Registrar of conversion, have different timelines specifically mentioned in the relevant sections of the statute.

14. (C) At least two individuals who are nominees of such bodies corporate shall act as designated partners.
If a limited liability partnership consists only of bodies corporate as its partners, it must still fulfill the requirement for designated partners. In this specific scenario, at least two individuals who are nominees of these corporate bodies must act as the designated partners. This ensures that individual human beings remain accountable for the statutory compliance of the corporate partnership.

15. (D) As soon as a limited liability partnership is incorporated
Individuals who subscribe their names to the incorporation document of a limited liability partnership attain the status of partners at the moment of incorporation. While other persons may become partners later according to the partnership agreement, the initial subscribers are officially recognized as partners immediately upon the Registrar issuing the certificate of registration for the new partnership entity.

16. (A) The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership, except as provided.
The provisions of the Indian Partnership Act, 1932 are generally not applicable to a limited liability partnership registered under the modern Act. This separation distinguishes the hybrid corporate nature of an LLP from traditional partnership firms. Unless specific provisions are explicitly extended or mentioned within the Limited Liability Partnership Act itself, the older partnership law does not govern these entities.

17. (A) Changes in the registered office take effect immediately upon the internal resolution of the partners and do not require notification to the Registrar to be effective.
Every limited liability partnership must maintain a registered office for official communications

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(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2016

61. Under the Limited Liability Partnership Act, what serves as conclusive evidence that the limited liability partnership is incorporated by the name specified therein?
(A) The incorporation document signed by all subscribers
(B) The statement filed by the advocate or Chartered Accountant
(C) The certificate of registration issued by the Registrar
(D) The designated partner identification number approval letter

May/June 2014

62. Consider the following statements regarding the responsibilities and liabilities of a designated partner:
I. They are responsible for the doing of all acts, matters and things as are required to be done by the limited liability partnership in respect of compliance with the provisions of the Act.
II. They are responsible for the filing of any document, return, statement and the like report.
III. They are liable to all penalties imposed on the limited liability partnership for any contravention of those provisions.
IV. A limited liability partnership may appoint a designated partner within thirty days of a vacancy arising.
V. They are immune from any personal responsibility concerning the filing of the statement of account and solvency.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV
(B) I, II, III, and V
(C) II, III, IV, and V
(D) I, III, IV, and V

Oct/Nov 2007

63. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R). Select the correct option:
Assertion (A): An individual shall not become a designated partner in any limited liability partnership unless he has given his prior consent to act as such.
Reason (R): Every designated partner is responsible for the doing of all acts, matters, and things as are required to be done by the limited liability partnership in respect of compliance with the Act.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2025

64. In the context of the auditing and accounting standards for Limited Liability Partnerships, what is the role involving the National Financial Reporting Authority?
(A) The Central Government prescribes the standards of accounting in consultation with the National Financial Reporting Authority.
(B) It independently prescribes the standards of accounting without central government intervention.
(C) It issues the final certificate of registration for all newly incorporated limited liability partnerships.
(D) It actively prosecutes designated partners who fail to file their annual returns.

Oct/Nov 2024

65. Match the term or concept from the Limited Liability Partnership Act with its corresponding reference in the Companies Act, 2013.
List I: (Term or Concept)
P. Appellate Tribunal constitution
Q. Definition of "body corporate"
R. Provisions for Designated Partner Identification Number
S. Constitution of National Financial Reporting Authority
List II: (Reference in Companies Act, 2013)
1. Section 132
2. Clause (20) of section 2
3. Section 410
4. Sections 153 to 159
(A) P-3, Q-2, R-4, S-1

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(B) P-2, Q-3, R-1, S-4
(C) P-4, Q-1, R-3, S-2
(D) P-1, Q-4, R-2, S-3

May/June 2017

66. Upon successful conversion into a Limited Liability Partnership, what is the exact timeframe within which the LLP must inform the concerned Registrar of Firms or Registrar of Companies about the conversion?
(A) Within seven days of the date of registration
(B) Within fifteen days of the date of registration
(C) Within thirty days of the date of registration
(D) Within sixty days of the date of registration

Oct/Nov 2005

67. Global Tech LLC is a business entity formed, incorporated, and registered in a foreign jurisdiction. It wishes to expand its operations and establishes a permanent branch office in Mumbai, India, to conduct its business activities. Under the definitions provided in the Limited Liability Partnership Act, how will Global Tech LLC be categorized in India?
(A) A domestic limited liability partnership
(B) An unlisted public company
(C) A foreign limited liability partnership
(D) A corporation sole

May/June 2020

68. Consider the following statements about the Limited Liability Partnership Agreement:
I. It determines the mutual rights and duties of the partners and their rights and duties in relation to the limited liability partnership.
II. Any changes made in the limited liability partnership agreement need not be filed with the Registrar if all partners mutually agree to the changes.
Which of the above statement(s) is/are correct?
(A) Statement I is correct and Statement II is incorrect.
(B) Statement I is incorrect and Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Both Statement I and Statement II are incorrect.

Oct/Nov 2015

69. Consider the following statements regarding what is explicitly included in the definition of a "body corporate" under the Limited Liability Partnership Act:
I. A limited liability partnership registered under this Act.
II. A limited liability partnership incorporated outside India.
III. A company incorporated outside India.
IV. A corporation sole.
Which of the above statement(s) is/are correct?
(A) I, II, and IV
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and III

May/June 2013

70. Regarding the eligibility and requirements to be a designated partner in a Limited Liability Partnership, which of the following statements is incorrect?
(A) Every limited liability partnership shall have at least two designated partners who are individuals.
(B) At least one of the designated partners shall be a resident in India.
(C) A body corporate can directly serve as a designated partner without the need to appoint an individual nominee.
(D) An individual eligible to be a designated partner must satisfy such conditions and requirements as may be prescribed.

Oct/Nov 2021

71. Which of the following pairs incorrectly matches a legal feature of an LLP with its description under the Act?
(A) Entity status — A legal entity separate from that of its partners
(B) Registered office requirement — Must have a registered office to which all communications may be addressed
(C) Minimum partner requirement — Every limited liability partnership shall have at least two partners
(D) Effect of a change in partners — Nullifies the existence of the limited liability partnership

May/June 2024

72. Consider the following statements regarding the capabilities of a limited liability partnership upon registration:
I. Suing and being sued.
II. Acquiring, owning, holding and developing

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or disposing of property.
III. Having a common seal, if it decides to have one.
IV. Doing and suffering such other acts and things as bodies corporate may lawfully do and suffer.

Which of the above statement(s) is/are correct?
(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, III, and IV

Oct/Nov 2008

73. Match the default or procedural requirement with the associated statutory maximum limit or timeframe as per the Limited Liability Partnership Act.

List I: (Default or Requirement)
P. Maximum limit of penalty for the limited liability partnership for failure to file annual return
Q. Maximum limit of penalty for designated partners for failure to file annual return
R. Time allowed to file particulars of a designated partner's consent to act
S. Time allowed to file the annual return from the closure of the financial year

List II: (Limit or Timeframe)
1. Thirty days
2. Fifty thousand rupees
3. Sixty days
4. One lakh rupees

(A) P-4, Q-2, R-1, S-3
(B) P-2, Q-4, R-3, S-1
(C) P-1, Q-3, R-2, S-4
(D) P-3, Q-1, R-4, S-2

May/June 2006

74. When a partner ceases to be part of a Limited Liability Partnership, unless the LLP agreement provides otherwise, the former partner or a person entitled to their share is entitled to receive certain financial settlements. Which of the following is NOT a statutory component used to determine the exact amount they are entitled to receive?
(A) An amount equal to the capital contribution of the former partner actually made to the limited liability partnership
(B) The former partner's right to share in the accumulated profits of the limited liability partnership
(C) The deduction of accumulated losses of the limited liability partnership
(D) A mandatory compound interest calculated daily on the capital contribution from the date of incorporation

Oct/Nov 2017

75. Mr. Clark formally resigned from MNO LLP and gave a 30-day written notice to the other partners. However, neither Mr. Clark nor the LLP delivered a notice of his cessation to the Registrar, nor did the third-party supplier have notice of his resignation. Following his resignation, MNO LLP enters into a transaction with the supplier. In relation to this supplier, what is Mr. Clark's legal status?
(A) He is still regarded as being a partner of the limited liability partnership.
(B) He is absolved of any connection as his 30-day notice to the partners legally severs all ties automatically.
(C) He is considered a silent investor with no potential liabilities.
(D) The supplier's contract is rendered void due to the undisclosed partner status.

May/June 2008

76. Consider the following statements regarding the effects of converting a firm or company into a Limited Liability Partnership:
I. There shall be a limited liability partnership by the name specified in the certificate of registration.
II. All tangible and intangible property vested in the previous entity transfers to and vests in the limited liability partnership.
III. The transfer of assets and privileges requires a separate further assurance, act, or deed to be legally valid.
IV. The old firm or company is deemed to be dissolved.
V. The old entity is removed from the records of the Registrar of Firms or Registrar of Companies.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV
(B) II, III, IV, and V
(C) I, III, IV, and V
(D) I, II, IV, and V

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(B) An individual shall not be capable of becoming a partner if he is currently an undischarged insolvent person.
(C) An individual found to be of unsound mind by a Court is capable of becoming a partner with a medical certificate.
(D) An individual whose application to be adjudicated as an insolvent is pending is incapable of becoming a partner.

May/June 2009

46. Mr. Smith resigns from JKL LLP. According to the LLP agreement, there are no specific provisions regarding the financial settlement upon resignation. Under the Limited Liability Partnership Act, what is Mr. Smith legally entitled to receive from JKL LLP upon his cessation as a partner?
(A) An equal share of the total revenue generated during his tenure, without any deductions for operational expenses.
(B) His capital contribution made, plus his right to share in accumulated profits after deducting accumulated losses.
(C) A fixed statutory severance package of five lakh rupees as mandated by the Limited Liability Partnership Rules.
(D) Nothing, as resignation automatically forfeits all financial entitlements in the absence of a specific agreement.

Oct/Nov 2025

47. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R). Select the correct option:
Assertion (A): An agreement in writing made before the incorporation of a limited liability partnership between the persons who subscribe their names to the incorporation document can impose obligations on the limited liability partnership.
Reason (R): Such an agreement must be ratified by all the partners after the incorporation of the limited liability partnership for it to impose obligations.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2016

48. Which of the following pairs incorrectly correlates a consequence of conversion to an LLP with its statutory mandate?
(A) Registration effect — Transfer and vesting of all tangible and intangible property into the LLP without further assurance
(B) Partner/Shareholder obligations — Bound by the provisions of the First Schedule regardless of the originating entity
(C) Previous entity status — Deemed to be dissolved and removed from the records of the applicable Registrar
(D) Formation of entity — A limited liability partnership comes into existence by the name specified in the certificate of registration

Oct/Nov 2018

49. Ms. Taylor resigns from STU LLP. Her original capital contribution actually made to the limited liability partnership was Rs. 5,00,000. On the date of her cessation, the accumulated profits of the LLP are Rs. 2,00,000, and the accumulated losses are Rs. 50,000. Assuming there is no contrary provision in the limited liability partnership agreement, what is the total monetary entitlement Ms. Taylor should receive from the LLP?
(A) Rs. 6,50,000
(B) Rs. 5,00,000
(C) Rs. 7,00,000
(D) Rs. 4,50,000

May/June 2007

50. Consider the following procedural steps regarding a vacancy in the position of a designated partner:
I. A vacancy arises in the position of a designated partner for any reason.
II. The individual eligible to be a designated partner satisfies the prescribed conditions and requirements.
III. The limited liability partnership appoints a new designated partner within thirty days.
IV. The limited liability partnership files the particulars of the new designated partner with the registrar.
What is the correct sequence as mandated by the Act?

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ANSWERS

1. (D) The National Company Law Appellate Tribunal constituted under section 410 of the Companies Act, 2013.
Under Section 2 of the Limited Liability Partnership Act, the definition of an Appellate Tribunal is specifically designated to be the National Company Law Appellate Tribunal. This body is constituted under section 410 of the Companies Act, 2013, to handle appeals regarding legal matters and disputes involving corporate entities registered under these statutes.

2. (C) The designated partners are liable to all penalties imposed on the LLP for any contravention of the Act's provisions.
Designated partners in a limited liability partnership carry specific statutory responsibilities regarding compliance. According to the Act, these individuals are personally responsible for performing all acts, matters, and things required for legal compliance. Consequently, they are personally liable for all penalties imposed on the partnership for any contravention of the provisions or regulatory requirements.

3. (C) Companies under the Companies Act, 2013, including LLPs registered in India or those incorporated outside the country.
Section 2 defines a body corporate as including companies incorporated under the Companies Act, 2013, as well as limited liability partnerships registered in India or abroad. However, this definition specifically excludes certain entities such as a corporation sole, a co-operative society registered under any law, and other bodies corporate as specified by the Central Government.

4. (C) Issuing equity shares to the general public to raise operational capital
Upon registration, a limited liability partnership acquires several corporate capabilities by its name. These include the ability to sue and be sued, to acquire and own property, and to have a common seal. However, issuing equity shares to the public is not a capability granted to an LLP, as it operates based on partner contributions and agreements.

5. (B) At least two designated partners who are individuals
Every limited liability partnership is legally mandated to have a minimum of two designated partners who must be individuals. Additionally, at least one of these designated partners must be a resident of India. This requirement ensures that there are accountable individuals responsible for the legal compliance and administrative obligations of the partnership entity under the statute.

6. (B) It is determined by the provisions relating to that matter as are set-out in the First Schedule of the statute.
In instances where no written agreement exists between partners regarding their mutual rights and duties, the provisions of the Limited Liability Partnership Act apply. Specifically, the First Schedule of the Act sets out the default rules and regulations that govern the relationship among partners and between the partners and the limited liability partnership itself in such circumstances.

7. (B) Any body corporate and a firm setup under the Indian Partnership Act, 1932
The term entity is defined within the scope of specific sections of the Limited Liability Partnership Act to facilitate conversions and other processes. It explicitly includes any body corporate and a firm established under the Indian Partnership Act, 1932. This broad classification ensures that various existing business structures can transition into the modern framework of a limited liability partnership.

8. (B) I, II, and IV
Partners may become designated partners according to the partnership agreement or the incorporation document. Individuals must provide prior consent to act in this capacity. Furthermore, the partnership is required to file the particulars of every individual who has consented to act as a designated partner with the

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take effect only upon filing the notice of such change with the Registrar in such form and manner as prescribed.

Which of the above statement(s) is/are correct?

(A) Statement I is correct and Statement II is incorrect.
(B) Statement I is incorrect and Statement II is correct.
(C) Both Statement I and Statement II are correct.
(D) Both Statement I and Statement II are incorrect.

May/June 2021

56. In a dispute among the partners of an LLP, one retired partner seeks to recover his interest from the remaining partners due to a breach of their obligations to each other. The remaining partners defend themselves by asserting that the statutory provisions of limited liability shield them from such personal claims. Based on the legal principles of limited liability in an LLP context, how should the liability protection be applied?

(A) The provisions apply to third-party liability and do not shield partners from breaches of internal obligations.
(B) The statutory provisions completely shield partners from all forms of liability, including internal breaches.
(C) The provisions mandate that all such internal disputes be transferred to the Appellate Tribunal for dismissal.
(D) The statutory provisions apply selectively, protecting designated partners while exposing general partners.

Oct/Nov 2019

57. Consider the following statements regarding the cessation of partnership due to insolvency:

I. A person ceases to be a partner if he has applied to be adjudged as an insolvent.
II. A person ceases to be a partner if he is declared as an insolvent.
III. The cessation of a partner does not by itself discharge the partner from obligations incurred while being a partner.
IV. A person entitled to the share in consequence of the insolvency of the former partner has no right to interfere in the management.
V. The person entitled to the share in consequence of insolvency is entitled to receive an amount equal to the capital contribution actually made.

Which of the above statement(s) is/are correct?

(A) I, II, III, IV, and V
(B) I, III, IV, and V only
(C) II, III, and V only
(D) I, II, IV, and V only

May/June 2005

58. Every Limited Liability Partnership is mandated to file an annual return duly authenticated with the Registrar. Within what time frame from the closure of its financial year must this filing occur?

(A) Within thirty days
(B) Within forty-five days
(C) Within sixty days
(D) Within ninety days

Oct/Nov 2011

59. Consider the following statements regarding the penalty for default in complying with the registered office requirements:

I. The penalty is five hundred rupees for each day during which the default continues.
II. Only the designated partners are individually liable to pay this penalty.
III. The limited liability partnership and its every partner shall be liable.
IV. The maximum penalty is subject to a cap of fifty thousand rupees for the limited liability partnership and its every partner.

Which of the above statement(s) is/are correct?

(A) I, II, and IV
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and III

May/June 2018

60. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R). Select the correct option:

Assertion (A): A firm set up under the Indian Partnership Act, 1932 is considered an "entity" for the purposes of certain specific sections of the Limited Liability Partnership Act.

Reason (R): The definition of "entity" strictly limits the term to mean exclusively a company incorporated under the Companies Act, 2013.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

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and legal notices. Changes in the registered office take effect only after notification is filed with the Registrar in the prescribed manner and do not take effect immediately upon the internal resolution of the partners. Documents may be served on the partnership by post, registered post, or other methods specified under the relevant statutory provisions.

18. (A) By referring to the meanings respectively assigned to them in the Companies Act, 2013
To ensure legal consistency across corporate statutes, the Limited Liability Partnership Act specifies how to interpret undefined terms. Any word or expression used within the Act that does not have an explicit definition is to be understood according to the meanings assigned to them in the Companies Act, 2013. This provides a unified legal framework for corporate business structures.

19. (D) I, II, III, and IV
The incorporation document is a vital filing that must contain specific details about the partnership. It must include the name and proposed business of the entity, along with the names and addresses of all partners and designated partners. Additionally, a statement from a professional, such as an advocate or accountant, must confirm that all legal requirements have been duly met.

20. (A) He does not satisfy the requirement as the minimum stay required is not less than 120 days during the financial year.
To qualify as a resident in India for the purpose of becoming a designated partner, an individual must stay in India for a specific duration. The Act requires a stay of not less than 120 days during the financial year. If an individual stays for only 110 days, they fail to meet this statutory residency requirement for that period.

21. (C) Voluntary resignation — Giving a notice in writing of not less than thirty days to the other partners of the LLP.
A partner can voluntarily resign from a limited liability partnership by following the procedure outlined in the partnership agreement. In the absence of such an agreement, the partner must provide a written notice of at least thirty days to the other partners. This formal notification ensures that the resignation is recorded and that the partnership can adjust its management and filings.

22. (B) Undefined words shall automatically have the meanings assigned to them in the Indian Partnership Act, 1932.
The Limited Liability Partnership Act contains specific definitions for terms like Appellate Tribunal and designated partner. However, it does not automatically assign meanings from the Indian Partnership Act, 1932 to undefined words. Instead, the statute explicitly points to the Companies Act, 2013 as the reference source for any terms that are not defined within the LLP framework itself.

23. (D) Mr. X shall be liable personally for the obligations of the LLP incurred during that specific period.
If a limited liability partnership carries on business with only one partner for more than six months, and that partner is aware of this situation, they lose the protection of limited liability. The sole partner becomes personally liable for the obligations of the partnership incurred during the period that they conducted business alone after those initial six months have passed.

24. (D) It is conclusive evidence that the LLP is incorporated by the name specified therein.
The certificate of incorporation issued by the Registrar serves as conclusive evidence regarding the legal status of a limited liability partnership. It proves that the entity has been duly incorporated by the name specified and that all requirements regarding registration have been met. This document provides certainty to third parties dealing with the newly formed corporate body under the statute.

25. (B) DPIN (Designated Partner Identification Number)
Every designated partner in a limited liability partnership is required to obtain a unique identification number from the Central Government. This is known as the Designated Partner Identification Number, commonly abbreviated as DPIN. This requirement allows the government to track the individuals responsible for the legal compliance and management of

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60. (C) Assertion (A) is true, but Reason (R) is false.
The definition of an entity within the context of the Limited Liability Partnership Act is broad. It includes companies incorporated under the Companies Act as well as traditional partnership firms established under the Indian Partnership Act, 1932. The assertion that a firm is an entity is true, but the reason that strictly limits the term to companies is false.

61. (C) The certificate of registration issued by the Registrar
The certificate of registration issued by the Registrar is the definitive document for a limited liability partnership. It serves as conclusive evidence that the entity is incorporated and that it possesses the name specified in the certificate. This ensures legal certainty for the partnership and all parties who enter into agreements with it, as the official registration cannot be questioned on these grounds.

62. (A) I, II, III, and IV
Designated partners are responsible for ensuring the limited liability partnership complies with all provisions of the Act, including filing documents, returns, and statements. They are also liable for penalties imposed for any contravention. While they must appoint replacements for vacancies within thirty days, they are not immune from personal responsibility regarding the filing of the essential statement of account.

63. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Statutory requirements dictate that individuals must provide prior consent before becoming designated partners in a limited liability partnership. This is because these partners carry significant responsibilities for the entity's legal compliance. While both statements regarding consent and responsibility are true according to the Act, the requirement for consent is not directly explained by the nature of the specific compliance duties.

64. (A) The Central Government prescribes the standards of accounting in consultation with the National Financial Reporting Authority.
The National Financial Reporting Authority plays a consultative role in the financial regulation of limited liability partnerships. The Central Government is responsible for prescribing accounting standards, but it must do so in consultation with this Authority. This collaboration ensures that the standards are robust and aligned with national financial reporting frameworks, providing a clear structure for the partnership's financial disclosures.

65. (A) P-3, Q-2, R-4, S-1
The Limited Liability Partnership Act refers to the Companies Act, 2013 for several definitions and structures. The Appellate Tribunal is constituted under Section 410. The definition of a body corporate is found in clause (11) of section 2. DPIN provisions follow Sections 153 to 159, and the National Financial Reporting Authority is established under Section 132 of the Companies Act.

66. (B) Within fifteen days of the date of registration
After an existing entity successfully converts into a limited liability partnership, it must fulfill certain notification requirements. The new LLP is mandated to inform the original Registrar of Firms or Registrar of Companies about the conversion. This notification must be submitted within fifteen days of the registration date, allowing the previous regulator to update their records and dissolve the original business entity.

67. (C) A foreign limited liability partnership
An entity that is formed and registered under the laws of a foreign country but establishes a place of business in India is classified as a foreign limited liability partnership. This classification allows the Indian government to regulate the local operations of international partnerships while recognizing their foreign incorporation status. Such entities must comply with specific rules designated for foreign LLPs operating within India.

68. (A) Statement I is correct and Statement II is incorrect.
The limited liability partnership agreement is the primary document governing the mutual rights and duties of the partners. It also defines their relationship with the partnership entity itself. Any changes made to this agreement must be filed with the Registrar in the prescribed manner. Internal mutual agreement among partners is

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34. (D) He must obtain a Designated Partner Identification Number (DPIN) from the Central Government as required.
Statutory compliance for designated partners involves obtaining a unique identification number from the Central Government. Under the provisions of the Limited Liability Partnership Act, which mirrors the Director Identification Number requirements of the Companies Act, every designated partner must apply for and obtain a Designated Partner Identification Number. This ensures that the government can effectively identify and regulate the responsible partnership officers.

35. (A) One lakh rupees
If a limited liability partnership fails to file its annual return within the sixty-day period after the closure of the financial year, it faces financial penalties. The Act imposes a daily penalty of one hundred rupees for as long as the default continues. For the partnership entity, this penalty is capped at a maximum of one lakh rupees.

36. (A) A Cost Accountant who is engaged in the formation of the limited liability partnership entity.
The incorporation document of a limited liability partnership must be accompanied by a compliance statement. This statement can be made by an advocate, a Chartered Accountant, a Company Secretary, or a Cost Accountant who is engaged in the formation process. These professionals certify that all statutory requirements regarding the incorporation of the partnership have been duly complied with by the subscribers.

37. (A) Statement I is correct and Statement II is incorrect.
A former partner may still be viewed as a partner by third parties unless proper notice of cessation is provided. This notice must be delivered to the Registrar or directly to the person dealing with the partnership. Importantly, ceasing to be a partner does not automatically discharge an individual from any obligations to the partnership that were incurred during their tenure as partner.

38. (D) Only I and III
Documents and legal notices can be served on a limited liability partnership or its partners through several authorized methods. These include sending the documents by post under a certificate of posting or by registered post to the registered office. While the registered office is the primary location for service, the Act allows for multiple postal methods to ensure delivery and legal compliance.

39. (D) At least two individuals who are nominees of these bodies corporate shall act as designated partners.
When the partners of a limited liability partnership are exclusively bodies corporate, they must designate individuals to handle compliance. Each corporate partner must appoint a nominee to act as a designated partner. According to the Act, at least two individuals who are nominees of these bodies corporate shall serve in this capacity, fulfilling the requirement for individual accountability.

40. (D) It shall be transferred to and shall vest in the limited liability partnership without further assurance, act, or deed.
Upon the conversion of a private company into a limited liability partnership, all assets and liabilities are automatically transferred. This includes all tangible and intangible property that was previously vested in the company. Under the Act, this property vests in the new partnership without the need for any further assurance, act, or deed, ensuring a seamless legal transition.

41. (B) A listed public company
The Limited Liability Partnership Act provides specific schedules for different types of entities to convert into an LLP. These include traditional partnership firms, private companies, and unlisted public companies. However, the Act does not provide a framework for a listed public company to convert into a limited liability partnership due to complex regulatory and disclosure requirements applicable to such entities.

42. (C) Assertion (A) is true, but Reason (R) is false.
A traditional partnership firm has the statutory option to convert into a limited liability partnership. However, the conversion of a firm is specifically governed by the Second Schedule of the Act, not the First Schedule. The First Schedule deals with the default mutual rights and duties of partners, while subsequent schedules provide

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detailed procedures for various entities to convert into this structure.

43. (A) P-4, Q-2, R-3, S-1
The Act mandates specific timelines for various events. Resigning partners must provide a notice of not less than thirty days. Filling a vacancy for a designated partner also requires action within thirty days. Filing an annual return must occur within sixty days, and informing the Registrar of conversion must be done within fifteen days of the official date of registration.

44. (D) The penalty is capped at five lakh rupees for both the LLP and designated partners combined in all circumstances.
Failing to file an annual return results in a daily penalty of one hundred rupees. The maximum penalty for this default is capped at one lakh rupees for the limited liability partnership entity and fifty thousand rupees for the designated partners. There is no single aggregate cap of five lakh rupees for both parties combined, as the limits apply individually to each party.

45. (C) An individual found to be of unsound mind by a Court is capable of becoming a partner with a medical certificate.
Both individuals and bodies corporate can be partners in a limited liability partnership. However, certain conditions disqualify individuals, such as being of unsound mind as determined by a court or being an undischarged insolvent. A medical certificate cannot override a court's finding of unsound mind, making such individuals incapable of serving as partners under the strict eligibility criteria set by the statute.

46. (B) His capital contribution made, plus his right to share in accumulated profits after deducting accumulated losses.
When a partner ceases to be part of an LLP without a specific agreement, their financial entitlements are determined by the Act. They are entitled to an amount equal to their actual capital contribution. Additionally, they have a right to their share of accumulated profits, provided that any accumulated losses of the limited liability partnership are first deducted from that total settlement amount.

47. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
An agreement made in writing before the incorporation of a limited liability partnership can impose obligations on the newly formed entity. For this to happen, the persons who subscribed their names to the incorporation document must have made the agreement. Furthermore, all partners must ratify the agreement after the incorporation process is complete to ensure the partnership is legally bound by those terms.

48. (B) Partner/Shareholder obligations — Bound by the provisions of the First Schedule regardless of the originating entity
Upon conversion, property vests in the LLP automatically and the previous entity is dissolved and removed from records. However, partners of a converting entity are bound by the provisions of the specific Schedule applicable to their conversion, such as the Second, Third, or Fourth Schedule. The First Schedule generally governs mutual rights and duties in the absence of a partnership agreement.

49. (A) Rs. 6,50,000
Upon cessation, a partner is entitled to their capital contribution plus their share of accumulated profits, minus accumulated losses. In this case, the calculation starts with a five lakh capital contribution, adds two lakh in profits, and subtracts fifty thousand in losses. This results in a total monetary entitlement of six lakh fifty thousand rupees for the partner.

50. (A) I, II, III, IV
The procedure for filling a vacancy in the position of a designated partner begins when the vacancy arises. The partnership must then identify an eligible individual who satisfies the prescribed conditions. Within thirty days of the vacancy, the limited liability partnership must appoint the new designated partner and subsequently file the particulars of this appointment with the Registrar for official record-keeping purposes.

51. (D) He is liable for the LLP's obligations incurred during that period after the initial six months of solo operation.
When a limited liability partnership operates with only one partner for more than six months,

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the remaining partner loses their limited liability protection. If the partner continues the business alone and is aware of this fact, they become personally liable for the partnership's obligations. This personal liability specifically applies to any debts or obligations incurred after that initial six-month period of solo operation.

52. (A) P-2, Q-3, R-4, S-1
The Limited Liability Partnership Act uses different schedules to govern various aspects of the entity. The First Schedule outlines mutual rights and duties in the absence of an agreement. The Second Schedule covers conversion from a firm into an LLP. The Third Schedule handles conversion from a private company, while the Fourth Schedule applies to the conversion of an unlisted public company.

53. (C) I, III, IV, and V
The Central Government is empowered to prescribe accounting and auditing standards for specific classes of limited liability partnerships. This process involves consultation with the National Financial Reporting Authority and recommendations from the Institute of Chartered Accountants of India. These standards ensure that LLPs maintain transparency and follow consistent financial reporting practices, facilitating better monitoring and regulation by government authorities.

54. (C) It is deemed to be dissolved and removed from the records of the Registrar of Companies as a separate entity.
Once a private company successfully converts into a limited liability partnership, its previous legal existence ends. On the date of registration specified in the certificate, the company is deemed to be dissolved. Consequently, it is removed from the records of the Registrar of Companies. This process ensures that the business continues solely as a limited liability partnership without any overlapping corporate identities.

55. (B) Statement I is incorrect and Statement II is correct.
A limited liability partnership has the authority to change the location of its registered office. However, this change is not effective based on internal resolutions alone. To be legally valid, the partnership must file a notice of the change with the Registrar in the prescribed form and manner. This requirement ensures that the official address for communications and legal service remains accurately recorded.

56. (A) The provisions apply to third-party liability and do not shield partners from breaches of internal obligations.
The statutory provisions of limited liability in an LLP primarily protect partners from personal liability regarding the partnership's obligations to third parties. These protections do not typically shield partners from claims arising from breaches of their own mutual obligations to one another. Internal disputes regarding partner duties and financial settlements are handled according to the partnership agreement and relevant internal governance rules.

57. (A) I, II, III, IV, and V
A partner ceases to be part of a limited liability partnership if they apply for insolvency or are declared insolvent. This cessation does not discharge them from prior obligations. Furthermore, the person entitled to the former partner's share due to insolvency has no management rights but is entitled to the capital contribution and share of accumulated profits.

58. (C) Within sixty days
Every limited liability partnership is required to file an annual return with the Registrar to provide updated information about its partners and operations. This filing must be completed within sixty days after the closure of each financial year. The annual return must be duly authenticated to ensure the accuracy of the information provided to the regulatory authorities for monitoring and compliance purposes.

59. (C) I, III, and IV
Failing to comply with the requirements for a registered office leads to penalties for both the limited liability partnership and every partner. The fine is set at five hundred rupees for each day the default continues. However, there is a maximum penalty cap of fifty thousand rupees for the partnership entity and each individual partner, ensuring that the total fine remains within limits.

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for each of the designated partners responsible for the filing.

78. (B) Only II and III
The Limited Liability Partnership Act establishes the entity as a body corporate with perpetual succession. This means that the partnership's legal existence is separate from its members. Consequently, any change in the partners—whether through addition, resignation, or death—has no impact on the continued existence of the entity, nor does it affect the partnership's existing rights or liabilities.

79. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
Individuals making false statements in incorporation documents face significant legal consequences, including imprisonment and fines. The law requires a statement from both a subscriber and a qualified professional to ensure compliance. While both the assertion about penalties and the reason regarding professional statements are true, the requirement for professional statements does not itself explain the specific severity of the legal punishment.

80. (A) The agreement must be ratified by all the partners after the incorporation of the limited liability partnership.
For a written agreement made before the incorporation of a limited liability partnership to be legally binding, specific procedural steps must be followed. The agreement must be made between the persons who subscribed to the incorporation document. Most importantly, all partners must officially ratify the agreement after the partnership has been incorporated, ensuring the entity accepts pre-incorporation obligations.

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insufficient to bypass the statutory requirement for filing these changes for official record-keeping.

69. (D) I, II, and III
Under the Limited Liability Partnership Act, the term body corporate specifically includes limited liability partnerships registered in India and those incorporated outside the country. It also encompasses companies incorporated outside India. However, the definition explicitly excludes a corporation sole as well as co-operative societies. Therefore, only the first three types of entities mentioned are correctly included in the statutory definition.

70. (C) A body corporate can directly serve as a designated partner without the need to appoint an individual nominee.
Every limited liability partnership must have at least two designated partners who are individuals, with at least one being a resident in India. While a body corporate can be a partner, it cannot act directly as a designated partner. Instead, the body corporate must appoint an individual nominee to serve in that role, ensuring there is always a natural person accountable for compliance.

71. (D) Effect of a change in partners — Nullifies the existence of the limited liability partnership
A limited liability partnership is a distinct legal entity that must maintain a registered office and have at least two partners. One of its key features is perpetual succession, which means that changes in the partners do not affect the existence, rights, or liabilities of the entity. Claiming that a change in partners nullifies the partnership's existence is legally incorrect.

72. (D) I, II, III, and IV
Upon registration, a limited liability partnership gains the legal capacity to perform various actions in its own name. These capabilities include suing others and being sued, as well as acquiring, owning, and disposing of both movable and immovable property. The entity may also choose to have a common seal and is generally authorized to do all acts that corporate bodies may lawfully perform.

73. (A) P-4, Q-2, R-1, S-3
The Act sets specific limits and deadlines for compliance and penalties. The maximum penalty for an LLP failing to file its annual return is one lakh rupees, while for designated partners, it is fifty thousand rupees. Filing a designated partner's consent must be done within thirty days, and the annual return must be filed within sixty days from year closure.

74. (D) A mandatory compound interest calculated daily on the capital contribution from the date of incorporation
When a partner ceases their involvement in a limited liability partnership, their financial settlement is based on their actual capital contribution and their share of accumulated profits. These profits are calculated after deducting any accumulated losses. The Act does not prescribe a mandatory daily compound interest on capital contributions as a component for determining the final payment owed to a former partner upon cessation.

75. (A) He is still regarded as being a partner of the limited liability partnership.
A person who has resigned as a partner continues to be regarded as a partner by third parties unless certain conditions are met. Specifically, the third party must have notice of the cessation, or a notice must have been delivered to the Registrar. Without these, the former partner remains legally connected to the partnership's transactions in the eyes of suppliers.

76. (D) I, II, IV, and V
Converting to a limited liability partnership results in the creation of a new entity by the specified name and the automatic transfer of all property from the previous firm or company. The old entity is deemed dissolved and removed from official records. This transfer of assets and privileges does not require any further assurance or separate deed to be valid.

77. (D) I, II, and III
The penalty for failing to file an annual return on time involves a daily fine of one hundred rupees for both the limited liability partnership and its designated partners. The total penalty is capped at specific amounts: one lakh rupees for the partnership itself and fifty thousand rupees

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Oct/Nov 2014

7. What is the definition of "Transfer of property" under Section 5 of the Transfer of Property Act?
(A) An act by which a living person guarantees the future transfer of movable property to another living person under a deed.
(B) An act by which a living person conveys property, in present or in future, to one or more other living persons or to himself.
(C) An agreement involving the exchange of ownership in exclusively immovable property between two incorporated companies or bodies.
(D) The absolute transfer of possession of tangible assets without the transfer of underlying ownership rights to a third party.

May/June 2019

8. Which of the following statements is correct regarding the transfer of an actionable claim?
(A) The transfer must be executed through a registered instrument accompanied by the delivery of possession.
(B) The transferee can sue the debtor in his own name without obtaining the transferor's consent.
(C) Mandatory written notice must be given to the debtor before the transfer can take legal effect.
(D) An actionable claim includes debts secured by hypothecation or pledge.

Oct/Nov 2006

9. A mortgagor can be any of the following, EXCEPT:
(A) One of two or more co-owners of the property.
(B) A minor's guardian acting without court sanction.
(C) The Karta of a Hindu Undivided Family (HUF).
(D) An absolute owner of property through inheritance.

May/June 2021

10. In an English mortgage, what is the fundamental nature of the transfer of the mortgaged property?
(A) The mortgagor retains absolute ownership but delivers physical possession to the mortgagee for interest.
(B) The property is ostensibly sold to the mortgagee, becoming an absolute sale only upon a default.
(C) The mortgagor transfers the property absolutely, subject to re-transfer upon payment of mortgage money.
(D) The property is transferred without writing by merely depositing the title deeds with the mortgagee bank.

Oct/Nov 2010

11. According to the Supreme Court ruling in Sirpur Paper Mills Ltd v/s The Collector of Central Excise, what is the most appropriate factor to determine if plant and machinery become immovable property?
(A) The financial value of the plant and machinery dictates whether they are classified as immovable property.
(B) Any machinery embedded in the earth for more than one year automatically transforms into immovable property.
(C) Plant and machinery can only be considered immovable property if they are subject to excise duty.
(D) Installation for better function does not make them immovable.

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May/June 2005

12. For the sale of tangible immoveable property, a registered instrument is mandatory if the consideration exceeds what amount?
(A) Rs. 50/-
(B) Rs. 500/-
(C) Rs. 100/-
(D) Rs. 1000/-

Oct/Nov 2022

13. Which of the following statements relating to the creation of an equitable mortgage (mortgage by deposit of title deeds) is incorrect?
(A) The immovable property given as a mortgage must strictly be situated within the boundaries of the notified towns.
(B) It requires the delivery of documents of title to immovable property to a creditor or his agent.
(C) The delivery of the documents of title must be done in specific towns notified by the State Government.
(D) There must be an intent to create a security thereon through the deposit of the title deeds.

CHAPTER 30

Transfer of Property Act, 1882

May/June 2012

1. Under Section 106 of the Transfer of Property Act, what is the notice period required to terminate a lease of immovable property for agricultural purposes in the absence of a contract to the contrary?
(A) Fifteen days' notice
(B) One month's notice
(C) Three months' notice
(D) Six months' notice

Oct/Nov 2023

2. Which of the following statements about the duration of certain leases under Section 106 of the Transfer of Property Act is incorrect?
(A) A lease of immovable property for agricultural purposes is terminable by a six months' notice.
(B) The notice of termination must be in writing and signed by or on behalf of the person giving it.
(C) A lease of immovable property for manufacturing purposes is deemed to be a lease from month to month.
(D) The period mentioned in the notice commences from the date of receipt of the notice.

Oct/Nov 2018

3. What constitutes a "Mortgage" under the Transfer of Property Act?
(A) The absolute sale of immovable property subject to a condition of future repurchase within a fixed term.
(B) The transfer of a right to enjoy property for a certain time in consideration of a price paid or promised.
(C) The transfer of an interest in specific immovable property to secure the payment of money or an engagement.
(D) A claim to any debt, other than a debt secured by hypothecation or pledge, recognized by the Civil Courts.

May/June 2007

4. A civil suit for the recovery of dues by enforcement of a mortgage must adhere to all of the following aspects, EXCEPT:
(A) The suit shall be instituted in the court of the lowest jurisdiction where it can lie.
(B) All puisne mortgagees must be impleaded as defendants.
(C) Execution proceedings shall commence immediately upon the passing of the preliminary decree.
(D) If enforcing a personal covenant of the mortgage, the claim must be within the period of limitation.

Oct/Nov 2025

5. How does the Transfer of Property Act treat an interest created for the benefit of a person not in existence at the date of the transfer?
(A) The interest takes effect immediately regardless of any prior interests created by the same transfer.
(B) It is not valid unless it extends to the whole of the remaining interest of the transferor.
(C) The interest is entirely void and cannot be legally enforced under any circumstances in court.
(D) The interest requires the appointment of a court-sanctioned guardian before the transfer is documented.

May/June 2012

6. What is the most appropriate requirement for making a lease of immovable property from year to year?
(A) It can be made by an oral agreement accompanied by delivery of possession.
(B) It must be made exclusively through a registered instrument.
(C) It requires merely a written memorandum signed by the lessor without any need for registration.
(D) It can only be validated by a tripartite agreement including a lending bank.

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various corporate partnership entities across the country for regulatory purposes.

26. (D) A corporation sole
The definition of a body corporate under the Limited Liability Partnership Act is broad but includes specific exclusions. While it encompasses Indian and foreign companies and LLPs, it explicitly excludes a corporation sole. Additionally, co-operative societies registered under any law and any other entity specified by the Central Government are also excluded from being categorized as a body corporate under this Act.

27. (A) The certificate of registration remains genuine and the firm is responsible for actions done after its registration.
A certificate of registration issued by the Registrar is conclusive evidence of the incorporation of the limited liability partnership. Even if the registration was allegedly obtained through fraudulent means, the certificate remains genuine in the eyes of third parties. The entity is responsible for all actions taken after its registration, ensuring that commercial contracts with innocent third parties remain legally binding.

28. (D) I, II, and III
Several conditions can render an individual incapable of becoming a partner in a limited liability partnership. These include being found of unsound mind by a court, being an undischarged insolvent, or having a pending application to be adjudicated as an insolvent. These statutory restrictions ensure that only financially and mentally competent individuals manage the affairs and liabilities of the partnership entity.

29. (A) P-2, Q-4, R-1, S-3
Providing false information in the incorporation document is a serious offense under the Act. Individuals who knowingly make false statements can face imprisonment for a term extending to two years. Additionally, they are liable to pay a fine ranging from a minimum of ten thousand rupees up to a maximum of five lakh rupees, reflecting the importance of accurate corporate filings.

30. (D) A person who stayed in India for at least 120 days during the financial year.
For the purposes of the Limited Liability Partnership Act, a resident in India is specifically defined based on the duration of their stay. An individual must have stayed in India for a period of at least 120 days during the financial year. This residency requirement is crucial for determining the eligibility of individuals to serve as designated partners within the partnership structure.

31. (C) I, III, and IV
Upon being satisfied that all provisions for conversion have been met, the Registrar issues a certificate of registration. This document specifies the date of registration, from which the entity is governed by the Act. While partners are bound by the relevant schedules, they must also inform the original Registrar of Companies or Firms about the conversion within a fifteen-day period.

32. (B) Changes in the partners shall not affect the existence, rights, or liabilities of the limited liability partnership.
Perpetual succession is a fundamental characteristic of a limited liability partnership as a corporate body. It means that the legal existence of the entity is continuous and independent of its partners. Consequently, any changes in the partnership, such as the death, resignation, or retirement of partners, do not affect the existence, rights, or liabilities of the limited liability partnership itself.

33. (B) No, a former partner or person entitled to his share shall not have any right to interfere in the management.
Once a person ceases to be a partner in a limited liability partnership, their legal relationship with the entity changes significantly. Although they may be entitled to receive their share of capital and profits, they lose all authority to participate in management. The Act explicitly states that a former partner or their representative has no right to interfere in the partnership's management decisions.

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May/June 2018

14. Which of the following statements is correct regarding the entities competent to act as a mortgagor?
(A) Only an absolute owner of a property by purchase can act as a mortgagor.
(B) A Guardian of a minor's property can act as a mortgagor without any sanction from the Court.
(C) An executor or administrator is legally competent to act as a mortgagor.
(D) Leasehold rights cannot be mortgaged under any circumstances by an absolute owner.

Oct/Nov 2016

15. When a lease of immovable property is for manufacturing purposes, what is the most appropriate description of its duration in the absence of a contract to the contrary?
(A) It is deemed to be a lease in perpetuity, terminable only by court order.
(B) It is deemed to be a lease from month to month, terminable by fifteen days' notice.
(C) It is deemed to be a lease for a fixed term of thirty years, inheritable by the lessee's heirs.
(D) It is deemed to be a lease from year to year, terminable by six months' notice.

May/June 2014

16. How is "Sale" defined under Section 54 of the Transfer of Property Act?
(A) A transfer of ownership in exchange for a price paid, promised, or part-paid and part-promised.
(B) A transfer of interest in specific immovable property to secure the payment of money advanced as a loan.
(C) A transfer of property where possession is delivered temporarily in exchange for a periodically paid premium.
(D) An absolute transfer of an actionable claim with or without the consideration of a specific monetary price.

Oct/Nov 2007

17. A mortgagee or a person acting on his behalf has the power to sell the mortgaged property without the intervention of the Court in all of the following cases, EXCEPT:
(A) Where the mortgage is a Simple mortgage and the principal money has been in default for over six months.
(B) Where the mortgage is an English mortgage, and neither party is a Hindu, Mohammedan, or Buddhist.
(C) Where the power of sale is expressly conferred by the deed and the mortgagee is the Government.
(D) Where the power of sale is expressly conferred, and the property is situated in Chennai.

May/June 2025

18. In which type of mortgage must the condition of sale be strictly embodied in the document which effects or purports to effect the sale?
(A) Mortgage by Conditional Sale
(B) Simple Mortgage
(C) Usufructuary Mortgage
(D) English Mortgage

Oct/Nov 2019

19. Which of the following statements regarding the transfer of property is incorrect?
(A) The provisions of the Transfer of Property Act do not affect any law applicable to companies relating to the transfer of immovable property.
(B) Every person competent to contract and entitled to transferable property is competent to transfer such property.
(C) Living person includes a company or any association or body of individuals whether incorporated or not.
(D) A transfer of property can never be made without writing, even if a writing is not expressly required by law.

NODIA

May/June 2009

20. Which of the following statements is correct concerning the enforcement of a mortgage through a Civil Court?
(A) All puisne mortgagees (subsequent mortgagees) must be impleaded as defendants in the suit.
(B) The suit must be instituted in the court of the highest jurisdiction within the state where the property is situated.
(C) If the lender holds multiple mortgages against the borrower, he must file separate suits for each debt without requiring leave of the court.
(D) Execution proceedings can be commenced

(B) P-3, Q-4, R-1, S-2
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-3, R-4, S-1

May/June 2008

34. Consider the following statements regarding Anomalous Mortgage and related concepts:
I. An Anomalous Mortgage is generally a combination of two types of mortgages, excluding a Mortgage by Deposit of Title Deeds.
II. Any accession to the mortgaged property during the subsistence of the mortgage ensures to the benefit of the mortgagee if enforced.
III. A mortgage by deposit of title deeds does not require any writing.
IV. All mortgages in writing must be registered, recognizing that a memorandum of entry for equitable mortgage generally doesn't mandate registration unless amended by state laws.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2013

35. Consider the following statements regarding the Transfer of Property Act:
I. It does not affect any law applicable to companies or associations of individuals relating to the transfer of immovable property.
II. Every person competent to contract and entitled to transferable property is competent to transfer property.
Which of the above statement(s) is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

May/June 2015

36. Consider the following statements regarding the Transfer of Property Act:
I. "Living person" includes a company or any association of individuals.
II. Every person entitled to transferable property is competent to transfer property.
III. A mortgage is exclusively a transfer of absolute ownership in specific immovable property.
IV. An interest created for a person not in existence requires extending to the whole of the remaining interest of the transferor.
V. A transfer of property can be made without writing in every case where writing is not expressly required by law.
Which of the above statement(s) is/are correct?
(A) I, II, IV, and V only
(B) I, II, III, and IV only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2009

37. Arrange the following steps involved in the creation of an equitable mortgage by a limited company in the correct chronological order:
1. Preparation of the memorandum of entry.
2. Obtaining a title clearance certificate from an advocate.
3. Passing a resolution authorizing the director/officer to deposit the deeds.
4. Filing the charge with the registrar of charges.
5. Deposit of the original title deeds in a notified town.
(A) 2, 3, 5, 1, 4
(B) 3, 2, 5, 4, 1
(C) 2, 5, 1, 3, 4
(D) 5, 2, 1, 4, 3

May/June 2011

38. Consider the following statements regarding a Simple Mortgage:
I. The mortgagor does not deliver possession of the mortgaged property.
II. The mortgagor binds himself personally to pay the mortgage money.
III. The mortgagee has a right to cause the mortgaged property to be sold out of court without any intervention.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2020

39. Consider the following statements about the enforcement of mortgages through a Civil Court:
I. The suit must be instituted in the jurisdiction

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Debts and Bankruptcy Act regardless of the claim amount.

May/June 2013

28. Why is a mortgage by deposit of title deeds not affected by the law of registration?
(A) It is an oral transaction completed by the delivery of documents of title to a creditor.
(B) It only applies to movable property which is exempt from standard property registration laws.
(C) It is executed exclusively in favor of the Government, which holds specific statutory exemptions.
(D) The transaction involves a claim amount below the minimum threshold required for mandatory registration.

Oct/Nov 2021

29. All of the following entities are considered a "living person" under Section 5 of the Transfer of Property Act, EXCEPT:
(A) An incorporated company formed under the Companies Act.
(B) An unincorporated association consisting of multiple individuals.
(C) An artificial intelligence system managing financial assets.
(D) A body of individuals whether incorporated or not.

May/June 2024

30. Which of the following statements is correct regarding the application of sale proceeds received by a mortgagee exercising the power of sale without court intervention?
(A) The proceeds must first be paid to the mortgagor to ensure the protection of the principal debtor's rights.
(B) The proceeds must strictly be deposited into the Civil Court for an equitable distribution among all unsecured creditors.
(C) The proceeds are applied first to discharge the principal mortgage money, followed by the costs and expenses of the sale.
(D) The proceeds are applied first to pay costs and expenses properly incurred incident to the sale.

Oct/Nov 2008

31. Match the notice requirement in List I with the corresponding situation in List II.
List I: (Notice Requirement)
P. Six months' notice
Q. Fifteen days' notice
R. Three months' notice
S. No mandatory requirement of notice
List II: (Situation)
1. Default in payment of principal money before exercising power of sale
2. Termination of a lease for manufacturing purposes
3. Transfer of an actionable claim to the debtor
4. Termination of a lease for purposes other than agriculture or manufacturing
(A) P-4, Q-2, R-3, S-1
(B) P-2, Q-4, R-1, S-3
(C) P-1, Q-3, R-2, S-4
(D) P-2, Q-1, R-4, S-3

NODIA

May/June 2006

32. Consider the following statements regarding actionable claims:
I. An actionable claim is a claim to any debt, including those secured by a mortgage or pledge.
II. It includes a beneficial interest in movable property not in possession, actual or constructive.
III. The transfer of an actionable claim can be done with or without consideration.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2017

33. Match the type of mortgage in List I with its defining characteristic in List II.
List I: (Type of Mortgage)
P. Simple Mortgage
Q. Usufructuary Mortgage
R. English Mortgage
S. Mortgage by Deposit of Title Deeds
List II: (Characteristic)
1. Delivery of documents of title to a creditor
2. Absolute transfer subject to re-transfer on payment
3. Delivery of possession and authorization to retain it
4. Mortgagor binds himself personally without delivering possession
(A) P-4, Q-3, R-2, S-1

Oct/Nov 2018

45. Consider the following statements regarding the power of sale without court intervention under Section 69:

I. It applies where the mortgage is an English mortgage.

II. Neither the mortgagor nor the mortgagee should be a Hindu, Mohammedan, or Buddhist in an English mortgage for this to apply unless specified.

III. It applies where the mortgagee is the Government and the power of sale is expressly conferred.

IV. It strictly applies to properties situated in any town whatsoever, regardless of state notification.

V. A notice in writing requiring payment of principal must be served and default made for three months.

Which of the above statement(s) is/are correct?

(A) I, II, III, and IV only
(B) I, II, III, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2007

46. Arrange the following stages of enforcing a mortgage through a Civil Court in the correct chronological order:

1. Institution of the suit in the court of lowest jurisdiction.
2. Expiry of the time limit for the mortgagor to pay the decretal amount.
3. Passing of a preliminary decree.
4. Making an application to the Court for passing the final decree.
5. Commencement of execution proceedings.

(A) 1, 3, 2, 4, 5
(B) 1, 2, 3, 4, 5
(C) 3, 1, 2, 5, 4
(D) 1, 3, 4, 2, 5

Oct/Nov 2025

47. Consider the following statements regarding Section 106 of the Transfer of Property Act (Leases):

I. A lease for agricultural purposes is deemed to be a lease from year to year.

II. Notice of termination must be in writing and signed by or on behalf of the person giving it.

III. Notice can only be delivered personally to the party and cannot be sent by post under any circumstances.

IV. The period mentioned in the notice commences from the date of the receipt of the notice.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2012

48. Which of the following pairs correctly matches the mortgage type with its defining action?

(A) Simple Mortgage - Delivery of possession to the mortgagee.
(B) Mortgage by Deposit of Title Deeds - Delivery of documents of title with intent to create a security.
(C) Usufructuary Mortgage - Absolute transfer of property subject to a condition of re-transfer.
(D) Mortgage by Conditional Sale - Mortgagor binds himself personally to pay the mortgage-money without delivering possession.

Oct/Nov 2014

49. Consider the following statements based on the case of Chapsibhai Dhanjibhai Danad vs Purushottam:

I. The lease for an indefinite period was held to be permanent and inheritable by the Supreme Court.

II. Any accession made to the leased property during the continuance of a lease is deemed to be comprised in the lease.

III. If an accession is by encroachment by the lessee, he must surrender such accession together with the leased land to the lessor at the expiry of the term.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2019

50. Consider the following statements regarding a lease of immovable property:

I. A lease may provide a fixed period and

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of the High Court irrespective of the claim amount.
II. All subsequent mortgagees (puisne mortgagees) must be impleaded as defendants.
III. If there is more than one mortgage in favor of the lender, he must sue on all debts unless leave is obtained for separate suits.
IV. Execution proceedings can commence immediately after the preliminary decree is passed.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) III and IV only
(D) I and IV only

May/June 2022

40. Which of the following pairs correctly matches the party with its role in a lease transaction?
(A) Lessor - The person who pays the premium for the property.
(B) Lessee - The transferor of the right to enjoy the property.
(C) Lessee - The person who receives the rent periodically.
(D) Lessor - The transferor who conveys the right to enjoy the property.

Oct/Nov 2023

41. Consider the following statements relating to Leases:
I. A lease is an absolute and permanent transfer of property.
II. The money or any other thing to be given periodically is called the rent.
III. A lease for a manufacturing purpose is terminable by a six months' notice.
IV. A lease from month to month is terminable by a fifteen days' notice.
V. A lease exceeding one year must be made by a registered instrument.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, IV, and V only

May/June 2016

42. Match the nature of the property transaction in List I with the required legal formality in List II.
List I: (Nature of Transaction)
P. Sale of tangible immovable property exceeding Rs. 100
Q. Lease of immovable property from month to month
R. Transfer of an actionable claim
S. Mortgage by deposit of title deeds

List II: (Legal Formality)
1. Can be made by a registered instrument or by oral agreement accompanied by delivery of possession
2. Requires a registered instrument without exception
3. Requires an instrument in writing signed by the transferor
4. Does not require any writing and is an oral transaction

(A) P-1, Q-2, R-4, S-3
(B) P-2, Q-1, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-2, Q-3, R-4, S-1

Oct/Nov 2012

43. Consider the following statements regarding the creation of an equitable mortgage:
I. A title clearance certificate must be obtained indicating a search of land records for at least thirty years prior.
II. The delivery of documents of title must be done in a notified town.
III. The property given as a mortgage must necessarily be situated within a notified town.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2023

44. Consider the following statements regarding a Usufructuary Mortgage:
I. The mortgagor authorizes the mortgagee to appropriate the rents and profits accruing from the property towards the payment of interest or mortgage-money.
II. The mortgagor binds himself personally to pay the mortgage-money.

Which of the above statement(s) is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

NODIA

III. The residue of the money received from the sale must be paid to the person entitled to the mortgaged property.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

May/June 2018

56. Match the terminology in List I with its description in List II based on the Transfer of Property Act.

List I: (Terminology)
P. Mortgage-money
Q. Premium
R. Mortgage-deed
S. Rent

List II: (Description)
1. The price paid or promised for a lease
2. The principal money and interest secured
3. The money or any other thing given periodically for a lease
4. The instrument by which a mortgage transfer is effected

(A) P-2, Q-1, R-4, S-3
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-2, Q-4, R-1, S-3

Oct/Nov 2016

57. Consider the following statements about the Mortgage by Conditional Sale:
I. The mortgagor ostensibly sells the mortgaged property.
II. The sale becomes absolute on default of payment on a certain date.
III. The sale becomes void on payment being made.
IV. The buyer must transfer the property to the seller upon payment.
V. The condition for the sale must be embodied in a separate, independent supplementary document.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, IV, and V only

May/June 2014

58. Which of the following pairs incorrectly matches the condition for a mortgage by conditional sale?
(A) The condition effecting the sale - Can be embodied in an entirely separate, unregistered oral agreement.
(B) On default of payment on a certain date - Sale shall become absolute.
(C) On payment being made - Sale shall become void.
(D) On payment being made - Buyer shall transfer the property to the seller.

Oct/Nov 2007

59. Consider the following statements concerning an English Mortgage:
I. The mortgagor binds himself to repay the mortgage money on a certain date.
II. The mortgagor transfers the mortgaged property absolutely to the mortgagee.
III. The transfer is subject to a proviso that the mortgagee will re-transfer the property upon payment of the mortgage money.
IV. The property must inherently be situated in Kolkata, Chennai, or Mumbai to be classified as an English Mortgage.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2025

60. Consider the following statements regarding the transfer of an actionable claim:
I. The transferee of an actionable claim can sue the debtor in his own name.
II. Obtaining the transferor's consent is mandatory before the transferee can sue the debtor.

Which of the above statement(s) is/are correct?
(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2019

61. Referring to the scenario in Question 75, if Mr. Sharma argues that the mortgage is invalid because it was not registered under the Registration Act, what is the correct legal position?

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include a provision that upon the lessee's death before the period expires, his heirs succeed up to the expiry of the lease period.

II. If a lease provides for the interests thereunder to pass on to the heirs of the lessee, it always means that it is an absolutely permanent lease.

Which of the above statement(s) is/are correct?

(A) Only I is correct
(B) Only II is correct
(C) Both I and II are correct
(D) Neither I nor II is correct

Oct/Nov 2006

51. Consider the following statements regarding Actionable Claims:

I. An actionable claim inherently includes a claim to a debt secured by a mortgage.
II. Transfer of an actionable claim can only be done by execution of an instrument in writing.
III. Notice to the debtor is a mandatory requirement before transferring an actionable claim.
IV. The transferee of an actionable claim can sue the debtor in his own name.
V. If A owes money to B, and B transfers the debt to C without A's knowledge, A's subsequent payment to B is legally valid.

Which of the above statement(s) is/are correct?

(A) I, II, and IV only
(B) II, IV, and V only
(C) III, IV, and V only
(D) I, III, and V only

May/June 2021

52. Match the legal concept in List I with the corresponding case law or section in List II.

List I: (Legal Concept)

P. Power of sale without court intervention
Q. Priority of Crown debts over other debts
R. Duration of certain leases in absence of written contract
S. Indefinite lease period meant for lessee's lifetime

List II: (Case Law / Section)

1. Section 106 of the Transfer of Property Act
2. Section 69 of the Transfer of Property Act
3. Dena Bank vs Bhikhabhai Prabhudas Parekh and Co.
4. Chapsibhai Dhanjibhai Danad vs Purushottam

(A) P-2, Q-3, R-1, S-4
(B) P-3, Q-2, R-4, S-1
(C) P-1, Q-4, R-2, S-3
(D) P-2, Q-1, R-4, S-3

Oct/Nov 2010

53. Which of the following pairs incorrectly matches the aspect of enforcing a mortgage with its requirement?

(A) Civil Court jurisdiction - Must be the court of the lowest jurisdiction where it can lie.
(B) Substantive defendants - All puisne mortgagees must be impleaded.
(C) Execution proceedings - Can commence strictly before the final decree is passed by the court.
(D) Multiple mortgages by same lender - Must file a single suit covering all debts unless leave is obtained.

NODIA

May/June 2005

54. Consider the following statements regarding the practical procedure for the mortgage of leasehold rights:

I. The original lease agreement can constitute the title deeds if the lease is perpetual.
II. The lease agreement must be duly stamped and registered.
III. The unexpired lease period must be exactly equal to the period allowed for repayment of the bank's advance.
IV. The lease deed must contain a clause permitting the lessee to create a mortgage.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

Oct/Nov 2022

55. Consider the following statements regarding the sale of mortgaged property without court intervention under Section 69 of the Transfer of Property Act:

I. The power of sale can be exercised if some interest under the mortgage amounting at least to Rs. 500 is in arrear and unpaid for three months.
II. When a sale is made in professed exercise of this power, the title of the purchaser is highly impeachable if due notice was not given.

May/June 2017

66. Referring to the scenario in Question 77, was the transfer of the debt from Suresh to Dinesh legally valid despite Ramesh not being notified?
(A) No, mandatory written notice must be given to the debtor for the transfer to be legally binding.
(B) Yes, because the transfer can be done only by a written instrument signed by the transferor, and notice to the debtor is not mandatory.
(C) No, a debt cannot be transferred to a third party without the debtor's explicit countersignature.
(D) Yes, but only if Dinesh pays Ramesh a nominal fee to acknowledge the transfer.

Oct/Nov 2005

67. Read the following scenario and answer the question:
ABC Pvt. Ltd. leases an open plot of land from Mr. Verma for setting up a small manufacturing unit. The lease agreement does not specify the duration of the lease. According to Section 106 of the Transfer of Property Act, what is the deemed duration of the lease between ABC Pvt. Ltd. and Mr. Verma?
(A) A lease from month to month
(B) A permanent lease for the lifetime of the company
(C) A lease from year to year
(D) A lease strictly valid for a period of exactly eleven months

May/June 2020

68. The following question consists of two statements—an Assertion (A) and a Reason (R). Answer the question by selecting the appropriate option:
Assertion (A): A transferee of an actionable claim must obtain the consent of the transferor before suing the debtor.
Reason (R): An actionable claim is a claim to a debt or a beneficial interest in movable property not in possession.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2015

69. Read the following scenario and answer the question:
Mr. Gupta executes a mortgage deed in favor of ABC Bank. The deed states that Mr. Gupta ostensibly sells his agricultural land to the bank on the condition that if he fails to repay the loan amount of Rs. 15 Lakhs by 31st December 2025, the sale shall become absolute. What type of mortgage has Mr. Gupta executed in favor of ABC Bank?
(A) Simple Mortgage
(B) English Mortgage
(C) Usufructuary Mortgage
(D) Mortgage by Conditional Sale

May/June 2013

70. Referring to the scenario in Question 64, after the sale is completed, Mr. Iyer attempts to impeach Mr. Rao's title on the ground that the power of sale was irregularly exercised by the bank. What protection does the Act provide to the purchaser, Mr. Rao?
(A) Mr. Rao's title is immediately voided, and he must return the property to Mr. Iyer upon a court order.
(B) Mr. Rao must pay an additional premium to Mr. Iyer to secure his title and avoid further legal disputes.
(C) The purchaser's title is not impeachable due to improper or irregular exercise of the power.
(D) The court must hold a fresh auction to determine the rightful owner of the property between the two parties.

Oct/Nov 2021

71. The following question consists of two statements—an Assertion (A) and a Reason (R). Answer the question by selecting the appropriate option:
Assertion (A): In a Simple Mortgage, the mortgagee has the right to cause the mortgaged property to be sold and the proceeds applied to the mortgage money.
Reason (R): The mortgagor in a Simple Mortgage delivers physical possession of the mortgaged property to the mortgagee to facilitate the sale.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of

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(A) The argument is valid; all mortgages over Rs. 100/- require mandatory registration without exception to ensure public record accuracy.
(B) The argument is valid; the memorandum of entry itself acts as a sale deed requiring heavy stamp duty and full registration.
(C) It is an oral transaction and does not strictly require registration unless state law mandates it.
(D) The argument is invalid; commercial complexes are specifically exempt from all registration laws under the Transfer of Property Act.

May/June 2009

62. Referring to the scenario in Question 69, for this transaction to be legally recognized as the specific type of mortgage identified, what is the mandatory requirement regarding the condition of sale?
(A) The condition must be embodied in the document which effects or purports to effect the sale.
(B) The condition must be verified orally in the presence of two witnesses.
(C) The condition must be registered separately in a supplementary title deed within 30 days.
(D) The condition must strictly be approved by the Debts Recovery Tribunal before execution.

Oct/Nov 2011

63. The following question consists of two statements—an Assertion (A) and a Reason (R). Answer the question by selecting the appropriate option:
Assertion (A): Under an English Mortgage, the mortgagor binds himself to repay the mortgage money on a certain date.
Reason (R): The mortgaged property is transferred absolutely to the mortgagee, subject to a condition of re-transfer upon payment of the mortgage money.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

64. Read the following scenario and answer the question:
Mr. Iyer takes a loan from XYZ Bank by creating an English mortgage on his residential property situated in Mumbai. The mortgage deed expressly confers on XYZ Bank the power to sell the property without the intervention of the court in case of default. Mr. Iyer fails to pay the principal amount on the due date. The bank serves a written notice requiring payment. Four months pass after the service of the notice, and Mr. Iyer still hasn't paid. Under Section 69 of the Transfer of Property Act, is XYZ Bank legally authorized to sell the property to Mr. Rao without court intervention?
(A) Yes; it is an English mortgage in Mumbai with three months' default after notice.
(B) No, because residential properties cannot be sold without court intervention under any circumstances according to the Act.
(C) No, because only the Government acting as a mortgagee has the power to sell without court intervention in notified towns.
(D) Yes, but only if Mr. Iyer provides a fresh written consent at the time of the sale to avoid future litigation.

Oct/Nov 2024

65. The following question consists of two statements—an Assertion (A) and a Reason (R). Answer the question by selecting the appropriate option:
Assertion (A): A mortgage by deposit of title deeds does not require any writing and is not affected by the law of registration.
Reason (R): The transaction is completed merely by the delivery of documents of title to immovable property with the intent to create a security thereon.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

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immediately upon the issuance of the preliminary decree.

Oct/Nov 2011

21. In the context of priority of debts as decided in Dena Bank vs Bhikhabhai Prabhudas Parekh and Co., what is the most appropriate conclusion regarding Crown debts?
(A) Bank dues securely mortgaged always hold absolute priority over any Crown debts.
(B) Crown debts are treated on par with all unsecured commercial debts in civil recovery proceedings.
(C) They have priority only if statutory provisions exist.
(D) Priority of Crown debts only applies when the debtor is an incorporated company and not an individual.

May/June 2010

22. Which section of the Transfer of Property Act details the power of a mortgagee to sell the mortgaged property without the intervention of the Court?
(A) Section 54
(B) Section 69
(C) Section 58(f)
(D) Section 105

Oct/Nov 2024

23. What is the primary distinction between a sale and a lease of immovable property?
(A) A sale involves the transfer of an actionable claim, while a lease involves the transfer of tangible goods.
(B) A sale can be executed without a registered instrument, while a lease strictly requires court intervention.
(C) A sale secures a pecuniary liability, whereas a lease discharges an existing debt between two parties.
(D) A sale is an absolute transfer of ownership, whereas a lease transfers the right to enjoy property.

May/June 2017

24. All of the following are essential elements of a Usufructuary Mortgage, EXCEPT:
(A) The mortgagor delivers or expressly binds himself to deliver possession of the mortgaged property.
(B) The mortgagee is authorized to retain possession until payment of the mortgage money.
(C) The mortgagee is authorized to receive the rents and profits arising from the property.
(D) The mortgagor binds himself to pay on a certain date.

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Oct/Nov 2005

25. Which of the following statements regarding a Simple Mortgage is incorrect?
(A) The mortgagor does not deliver possession of the mortgaged property to the mortgagee.
(B) The mortgagee has the right to appropriate the rents and profits accruing from the property in lieu of interest.
(C) The mortgagor binds himself personally to pay the mortgage money.
(D) The mortgagee has a right to cause the mortgaged property to be sold in the event of the mortgagor failing to pay.

May/June 2020

26. Which of the following defines an "Actionable Claim"?
(A) A claim to any debt secured by mortgage, hypothecation, or pledge over immovable property.
(B) A claim to a beneficial interest in movable property in the actual possession of the claimant.
(C) A legal demand for physical delivery of tangible immovable property under a registered lease deed.
(D) A claim to a non-secured debt or beneficial interest in movable property not in possession.

Oct/Nov 2015

27. What is the most appropriate action for a lender when the borrower fails to pay the decretal amount by the time stipulated in a preliminary decree?
(A) The lender is entitled to make an application to the Court for passing the final decree.
(B) The lender should automatically assume absolute ownership of the mortgaged property without further legal process.
(C) The lender must file an entirely new civil suit in a higher court to recover the unpaid dues.
(D) The lender must immediately initiate recovery proceedings under the Recovery of

Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2024

72. Referring to the scenario in Question 75, if Mr. Sharma's business was a limited company instead of a proprietorship, what additional step would be mandatory for the creation of this mortgage?
(A) The company must transfer the physical possession of the complex to the bank manager to solidify the transaction.
(B) The company must execute a tripartite agreement involving the primary shareholders and the State Government.
(C) The company must issue fresh equity shares to the bank equivalent to the loan amount as a security measure.
(D) It must pass a resolution and file the charge with the registrar.

Oct/Nov 2008

73. Referring to the scenario in Question 69, if Mr. Gupta repays the loan on 15th December 2025, what is the legal consequence according to the terms of the mortgage?
(A) The sale becomes absolute and the bank retains the property as a penalty for early payment.
(B) The sale shall become void, or the buyer shall transfer the property back to the seller.
(C) The sale remains valid but the bank must pay Mr. Gupta an equivalent rental yield for the land.
(D) The property is automatically transferred to the State Government to hold in trust.

May/June 2006

74. Referring to the scenario in Question 77, a week later, Suresh approaches Ramesh and demands the repayment of the Rs. 5 Lakhs. Unaware of the transfer, Ramesh pays the full amount to Suresh. Later, Dinesh files a suit against Ramesh to recover the debt. Can Dinesh successfully recover the Rs. 5 Lakhs from Ramesh through the civil suit?
(A) Yes, because Dinesh is the legal transferee and Ramesh is obligated to pay him regardless of prior payments.
(B) Yes, Ramesh must pay Dinesh and independently file a fraud case against Suresh for the recovery of his funds.
(C) No, since Ramesh was unaware of the transfer, his payment to Suresh is legally valid.
(D) No, because actionable claims cannot be enforced through a civil court under any circumstances.

Oct/Nov 2017

75. Read the following scenario and answer the question:
Mr. Sharma owns a commercial complex in Chennai. To expand his business, he approaches a bank for a loan of Rs. 50 Lakhs. He offers the commercial complex as security. The bank requests Mr. Sharma to deposit the original title deeds of the complex at their Chennai branch with the intention to create a security. No formal mortgage deed is registered, but a memorandum of entry is prepared by the branch. Based on the scenario, what type of mortgage has Mr. Sharma created with the bank?
(A) Mortgage by Deposit of Title Deeds
(B) Simple Mortgage
(C) English Mortgage
(D) Anomalous Mortgage

May/June 2008

76. Referring to the scenario in Question 67, if ABC Pvt. Ltd. had encroached upon a small adjacent strip of land belonging to a neighbor and acquired title by prescription during the lease term, what happens to this encroached land upon the expiry of the lease?
(A) The encroached land becomes the absolute property of ABC Pvt. Ltd. and is separated from the lease.
(B) The encroached land is forfeited to the State Government as a penalty for illegal expansion.
(C) The lessee is entitled to demand compensation from the lessor for the value of the encroached land.
(D) The lessee must surrender such accession together with the leased land to the lessor.

Oct/Nov 2013

77. Ramesh owes Rs. 5 Lakhs to Suresh. Suresh needs immediate funds and transfers this debt

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to Dinesh through a written instrument signed by him. Suresh does not inform Ramesh about this transfer. Under the Transfer of Property Act, what is the nature of the transaction between Suresh and Dinesh?

(A) Creation of a Usufructuary Mortgage
(B) Execution of an English Mortgage
(C) Transfer of a tangible immovable property
(D) Transfer of an actionable claim

May/June 2015

78. The following question consists of two statements—an Assertion (A) and a Reason (R). Answer the question by selecting the appropriate option:

Assertion (A): A suit for the recovery of dues by enforcement of a mortgage must implead all puisne mortgagees as defendants.

Reason (R): Puisne mortgagees hold subsequent mortgages on the same property and their rights must be adjudicated in the mortgage suit.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2009

79. Referring to the scenario in Question 67, what is the statutory notice period required for Mr. Verma to validly terminate this manufacturing lease?

(A) Fifteen days' notice
(B) Six months' notice
(C) One month's notice
(D) Three months' notice

May/June 2011

80. Referring to the scenario in Question 64, after the sale of the property, XYZ Bank receives the sale proceeds. How must the bank apply these funds according to Section 69 of the Transfer of Property Act?

(A) Pay sale costs first, then discharge the debt, and pay any residue to the entitled person.
(B) Entirely towards the payment of the principal mortgage money, ignoring any prior encumbrances or expenses.
(C) First paying the residue to the mortgagor, and applying the remaining funds to cover the bank's administrative fines.
(D) Depositing the entire amount into a government escrow account until a civil court adjudicates the distribution.

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ANSWERS

1. (D) Six months' notice
Section 106 of the Transfer of Property Act establishes that in the absence of a written contract or local usage, a lease of immovable property for agricultural or manufacturing purposes is deemed to be a lease from year to year. Consequently, such a lease can be terminated by either party with six months' notice.

2. (C) A lease of immovable property for manufacturing purposes is deemed to be a lease from month to month.
Under the Transfer of Property Act, leases for manufacturing or agricultural purposes are legally presumed to be from year to year, not month to month. Such leases require a six-month notice for termination. Conversely, leases for other purposes are deemed month to month, requiring fifteen days' notice, unless a contract or local usage specifies otherwise.

3. (C) The transfer of an interest in specific immovable property to secure the payment of money or an engagement.
A mortgage represents the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced by way of loan, an existing or future debt, or the performance of an engagement which may give rise to a pecuniary liability. The transferor is the mortgagor and the transferee is the mortgagee.

4. (C) Execution proceedings shall commence immediately upon the passing of the preliminary decree.
In a mortgage suit, the court first passes a preliminary decree fixating the amount due and providing a time limit for payment. Execution proceedings cannot commence immediately upon this stage. Only if the mortgagor fails to pay within the stipulated time can the mortgagee apply for a final decree, after which execution proceedings begin.

5. (B) It is not valid unless it extends to the whole of the remaining interest of the transferor.
Section 13 of the Transfer of Property Act stipulates that when an interest is created for the benefit of an unborn person, it must be preceded by a prior interest created by the same transfer. Furthermore, the interest intended for the unborn person must comprise the entire remaining interest of the transferor in the property.

6. (B) It must be made exclusively through a registered instrument.
Section 107 of the Transfer of Property Act requires that a lease of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent, can be made only by a registered instrument. This legal formality ensures that long-term property rights are properly documented and recorded in public registries.

7. (B) An act by which a living person conveys property, in present or in future, to one or more other living persons or to himself.
According to Section 5, transfer of property is an act performed by a living person who conveys property to one or more other living persons, or to himself and others. This conveyance can take effect in the present or the future. The term living person encompasses individuals, companies, associations, or bodies of individuals.

8. (B) The transferee can sue the debtor in his own name without obtaining the transferor's consent.
Upon the valid transfer of an actionable claim through a written instrument, all rights and remedies of the transferor vest in the transferee. Consequently, the transferee possesses the legal authority to sue the debtor in their own name and exercise all related rights without needing the transferor's consent or joining them as a party.

9. (B) A minor's guardian acting without court sanction.
To act as a mortgagor, a person must be competent to contract and have a transferable interest in the property. While karta of a Hindu Undivided

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the execution to sell the property and recover the outstanding dues.

28. (A) It is an oral transaction completed by the delivery of documents of title to a creditor.
A mortgage by deposit of title deeds is essentially an oral transaction concluded by delivering documents of title with the intent to create security. Since there is no mandatory requirement for a written mortgage deed under the Transfer of Property Act for this specific type, it is generally not affected by the compulsory registration provisions of the Registration Act.

29. (C) An artificial intelligence system managing financial assets.
Section 5 of the Transfer of Property Act defines "living person" to include individuals as well as companies, associations, or bodies of individuals, whether incorporated or not. Currently, legal systems do not recognize artificial intelligence as a "living person" or a legal entity capable of conveying property under the standard provisions of property law.

30. (D) The proceeds are applied first to pay costs and expenses properly incurred incident to the sale.
When a mortgagee sells property without court intervention, Section 69 dictates a specific order for applying the proceeds. The money is applied first to pay costs and expenses incident to the sale. Subsequently, it pays off the mortgage money and interest, with the residue going to the person entitled to the mortgaged property, ensuring a fair distribution.

31. (B) P-2, Q-4, R-1, S-3
Statutory notice periods vary by situation: termination of manufacturing or agricultural leases requires six months' notice; other leases require fifteen days' notice; and exercising the power of sale under Section 69 requires three months' notice after default. The transfer of an actionable claim is valid upon execution of a written instrument without mandatory notice to the debtor.

32. (B) II and III only
Actionable claims specifically exclude debts secured by mortgages, hypothecation, or pledges. They include beneficial interests in movable property not in the claimant's possession. Under the Transfer of Property Act, these claims can be transferred by a written instrument, and the law does not strictly require the exchange of consideration for the transfer to be legally effective between parties.

33. (A) P-4, Q-3, R-2, S-1
Different mortgages have unique traits: a simple mortgage involves a personal bond without possession; a usufructuary mortgage involves delivery of possession and right to rents; an English mortgage is an absolute transfer with a re-transfer proviso; and a mortgage by deposit of title deeds is characterized by the delivery of documents of title to the creditor.

34. (D) I, II, III, and IV
An anomalous mortgage is one not falling into standard categories, often combining traits of others. Accessions to property generally benefit the security. Equitable mortgages are created by delivering title deeds without mandatory writing. While many written mortgages require registration, a simple memorandum recording an equitable mortgage may be exempt unless specific state amendments require registration for such documents.

35. (C) Both I and II are correct
The Transfer of Property Act explicitly preserves laws applicable to companies or associations regarding immovable property transfers. Furthermore, the Act establishes that every person who is competent to contract under the Indian Contract Act and is entitled to transferable property, or authorized to dispose of it, is legally competent to transfer such property either wholly or in part.

36. (A) I, II, IV, and V only
Living persons include companies; those entitled to property are competent to transfer. Interests for unborn persons must extend to the transferor's entire remaining interest. Oral transfers are allowed unless writing is specifically required. However, a mortgage is a transfer of an interest to secure a debt, not a transfer of absolute ownership, which defines a sale instead.

37. (A) 2, 3, 5, 1, 4
The process begins with obtaining a title clearance certificate, followed by a board

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or absolute upon payment or default must be strictly embodied in the same document that effects the sale.

19. (D) A transfer of property can never be made without writing, even if a writing is not expressly required by law.
Section 9 of the Transfer of Property Act provides that a transfer of property may be made without writing in every case in which a writing is not expressly required by law. While many transfers like sales of high-value property or certain mortgages require written, registered instruments, oral transfers are permissible where the law does not mandate documentation.

20. (A) All puisne mortgagees (subsequent mortgagees) must be impleaded as defendants in the suit.
When enforcing a mortgage through a civil court, it is legally mandatory to implead all puisne mortgagees—those who hold subsequent mortgages on the same property—as defendants. This ensures that the rights of all interested parties are adjudicated simultaneously, preventing multiple litigations and allowing for the proper distribution of sale proceeds according to priority.

21. (C) They have priority only if statutory provisions exist.
The Supreme Court held that the principle of priority of Crown debts over other unsecured debts applies only in the absence of a registered mortgage or a prior secured interest. Crown debts do not possess an inherent or absolute priority over secured creditors unless specific statutory provisions grant them such a preferential status in the recovery process.

22. (B) Section 69
Section 69 of the Transfer of Property Act outlines the specific circumstances and conditions under which a mortgagee, or anyone acting on their behalf, has the power to sell the mortgaged property without the intervention of a court. This power is typically restricted by the type of mortgage, the parties involved, or the property's location.

23. (D) A sale is an absolute transfer of ownership, whereas a lease transfers the right to enjoy property.
A sale involves the total and absolute transfer of all ownership rights from the seller to the buyer in exchange for a price. In contrast, a lease is a transfer of only the right to enjoy the property for a certain time, or in perpetuity, in consideration of a price or periodic rent paid to the lessor.

24. (D) The mortgagor binds himself to pay on a certain date.
In a usufructuary mortgage, the mortgagor delivers possession and authorizes the mortgagee to retain it and receive rents and profits until the debt is satisfied. Crucially, the mortgagor does not binds themselves personally to pay the mortgage money; the mortgagee's recovery is limited to the income generated from the property and its eventual redemption.

25. (B) The mortgagee has the right to appropriate the rents and profits accruing from the property in lieu of interest.
In a simple mortgage, the mortgagor retains possession of the property and binds themselves personally to pay the mortgage money. The mortgagee does not have the right to receive or appropriate any rents or profits from the property. Instead, the mortgagee has the right to cause the property to be sold through the court if the debt is unpaid.

26. (D) A claim to a non-secured debt or beneficial interest in movable property not in possession.
An actionable claim refers to a claim to any debt, other than a debt secured by mortgage of immovable property or by hypothecation or pledge of movable property. It also includes a claim to any beneficial interest in movable property that is not in the actual or constructive possession of the claimant, which the civil courts recognize.

27. (A) The lender is entitled to make an application to the Court for passing the final decree.
If the mortgagor fails to pay the amount specified in the preliminary decree within the timeframe set by the court, the mortgagee must apply to the court to pass a final decree. Once the final decree is issued, the mortgagee can then proceed with

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Family and co-owners are competent, a minor's guardian cannot legally mortgage the minor's property without obtaining prior sanction from the court, making such an unauthorized act invalid.

10. (C) The mortgagor transfers the property absolutely, subject to re-transfer upon payment of mortgage money.
In an English mortgage, the mortgagor binds themselves to repay the mortgage money on a specific date and transfers the mortgaged property absolutely to the mortgagee. However, this transfer is subject to a proviso that the mortgagee will re-transfer the property to the mortgagor upon payment of the mortgage money as agreed between both parties.

11. (D) Installation for better function does not make them immovable.
The Supreme Court clarified that the mere attachment of machinery to the earth for the purpose of operational stability or better functioning does not necessarily convert it into immovable property. If the machinery can be detached and moved without significant damage to the structure, it retains its character as movable property rather than becoming a permanent fixture.

12. (C) Rs. 100/-
Section 54 of the Transfer of Property Act mandates that the sale of tangible immovable property of the value of one hundred rupees and upwards can be made only by a registered instrument. For property valued at less than one hundred rupees, the transfer may be effected either by a registered instrument or by delivery of possession.

13. (A) The immovable property given as a mortgage must strictly be situated within the boundaries of the notified towns.
For an equitable mortgage, also known as a mortgage by deposit of title deeds, the documents must be delivered to the creditor in specific towns notified by the State Government. However, the immovable property itself does not need to be situated within those notified towns; it can be located anywhere, even outside those specific boundaries.

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14. (C) An executor or administrator is legally competent to act as a mortgagor.
Persons competent to contract and entitled to transferable property can act as mortgagors. This includes absolute owners, kartas of Hindu Undivided Families for legal necessity, and executors or administrators managing an estate. Conversely, a minor's guardian lacks the inherent power to mortgage property without specific court sanction, as per relevant personal and property laws.

15. (D) It is deemed to be a lease from year to year, terminable by six months' notice.
Under Section 106, in the absence of a written contract or local usage to the contrary, a lease of immovable property for manufacturing or agricultural purposes is legally presumed to be a lease from year to year. Such a lease can be terminated by providing six months' notice, which is no longer strictly required to expire with the end of a year of the tenancy.

16. (A) A transfer of ownership in exchange for a price paid, promised, or part-paid and part-promised.
Sale is defined as the absolute transfer of ownership in exchange for a monetary price. This price can be paid immediately, promised for the future, or partially paid and partially promised. This transfer differs from a mortgage or lease because it involves the total conveyance of all rights, titles, and interests in the property.

17. (A) Where the mortgage is a Simple mortgage and the principal money has been in default for over six months.
Section 69 allows sale without court intervention in specific cases, such as English mortgages between non-Hindus, Muslims, or Buddhists and mortgages where the Government is the mortgagee. However, a simple mortgage always requires the intervention of a court to sell the property to recover the outstanding mortgage debt and interest from the proceeds of the sale.

18. (A) Mortgage by Conditional Sale
In a mortgage by conditional sale, the mortgagor ostensibly sells the property to the mortgagee. For the transaction to be legally recognized as a mortgage rather than an absolute sale, the condition specifying that the sale becomes void

resolution authorizing the deposit. Then, original deeds are deposited in a notified town, and a memorandum of entry is prepared to record the transaction. Finally, the charge is filed with the Registrar of Companies to ensure the security is legally recognized and perfected.

38. (A) I and II only
In a simple mortgage, the mortgagor retains possession and binds themselves personally to pay the debt. If the mortgagor defaults, the mortgagee has the right to cause the property to be sold; however, this sale cannot be performed out of court. The mortgagee must intervene through a civil suit to obtain a decree for the sale of the property.

39. (B) II and III only
Suits for mortgage enforcement must be instituted in the court of the lowest jurisdiction. All subsequent mortgagees must be joined as defendants to settle all claims. If a lender holds multiple mortgages against the same borrower, they must sue on all of them in a single suit unless the court grants permission to file separate suits for each.

40. (D) Lessor - The transferor who conveys the right to enjoy the property.
In a lease transaction, the transferor is called the lessor, and the transferee is called the lessee. The lessor conveys the right to enjoy the immovable property. The price paid is termed the premium, and the money or share of crops given periodically to the lessor is called the rent. The lessee is the person who pays these amounts.

41. (B) II, III, IV, and V only
A lease is not an absolute transfer; it is a transfer of the right to enjoy property for a limited time or in perpetuity. Rent is the periodic payment made. Manufacturing leases require six months' notice, while month-to-month leases require fifteen days' notice. Any lease for a term exceeding one year must be executed through a registered instrument.

42. (B) P-2, Q-1, R-3, S-4
Sales of tangible immovable property over one hundred rupees require registration. Month-to-month leases can be made by registered instrument or oral agreement with delivery. Transfer of actionable claims requires a signed written instrument. Mortgage by deposit of title deeds is an oral transaction involving the delivery of documents without a mandatory writing requirement for legal recognition.

43. (A) I and II only
Creating an equitable mortgage involves obtaining a title clearance certificate, usually involving a search of records for thirty years to ensure clear title. The delivery of title deeds must occur within a notified town. However, the property itself can be located anywhere and does not need to be situated within the boundaries of a notified town to be valid.

44. (A) Only I is correct
In a usufructuary mortgage, the mortgagor authorizes the mortgagee to stay in possession and use the rents and profits to pay off the interest or the principal mortgage money. Significantly, the mortgagor does not bind themselves personally to pay the debt, and the mortgagee cannot sue the mortgagor personally or seek a decree for sale through the court.

45. (B) I, II, III, and V only
The power of sale without court intervention applies to English mortgages between non-Hindus, Muslims, or Buddhists and where the Government is the mortgagee. It requires a default in payment of the principal for three months after written notice. This power is restricted to specific towns like Kolkata, Chennai, Mumbai, or other locations specifically notified by the State Government.

46. (A) 1, 3, 2, 4, 5
Enforcement begins with instituting a suit in the lowest jurisdiction, leading to a preliminary decree. After the time limit for payment expires, the mortgagee applies for a final decree. Once the final decree is granted, execution proceedings commence to sell the property and realize the debt from the sale proceeds. This systematic process ensures legal oversight in debt recovery.

47. (B) I, II, and IV only
Agricultural leases are presumed to be year-to-year. Notices must be in writing and signed. The notice period begins upon receipt. While personal delivery is one method, the law also

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66. (B) Yes, because the transfer can be done only by a written instrument signed by the transferor, and notice to the debtor is not mandatory.
The transfer of an actionable claim is legally complete and effective upon the execution of a written instrument signed by the transferor. While providing notice to the debtor is a prudent practice to prevent them from paying the original creditor, such notice is not a prerequisite for the legal validity of the transfer between the transferor and transferee according to law.

67. (C) A lease from year to year
Section 106 of the Transfer of Property Act provides a legal presumption for the duration of leases when no written contract exists. Specifically, a lease of immovable property intended for manufacturing or agricultural purposes is deemed to be a lease from year to year. All other types of leases are presumed to be from month to month by default.

68. (D) Assertion (A) is false, but Reason (R) is true.
The assertion is false because a transferee of an actionable claim can sue the debtor in their own name without the transferor's consent. However, the reason is true as it accurately defines an actionable claim as a claim to an unsecured debt or a beneficial interest in movable property not in the claimant's actual or constructive possession.

69. (D) Mortgage by Conditional Sale
In this scenario, the mortgagor ostensibly sells the property on the condition that the sale becomes absolute upon default of payment by a certain date. Because the condition is included in the deed, this transaction satisfies the definition of a mortgage by conditional sale under Section 58(c) of the Transfer of Property Act, rather than an absolute sale transaction.

70. (C) The purchaser's title is not impeachable due to improper or irregular exercise of the power.
Section 69 of the Transfer of Property Act protects a bona fide purchaser's title when a mortgagee exercises the power of sale. Even if the power was exercised irregularly or without proper notice, the purchaser's title cannot be impeached. The remedy for the aggrieved mortgagor is to seek damages from the mortgagee who improperly exercised the power of sale.

71. (C) Assertion (A) is true, but Reason (R) is false.
In a simple mortgage, the mortgagee does have the right to cause the property to be sold through the court to recover the debt. However, the reason is false because the mortgagor in a simple mortgage does not deliver physical possession of the property; instead, they retain possession while personally binding themselves to repay the mortgage money.

72. (D) It must pass a resolution and file the charge with the registrar.
When a limited company creates a mortgage, it must comply with the Companies Act in addition to the Transfer of Property Act. This involves passing a formal board resolution to authorize the creation of the security and filing the particulars of the charge with the Registrar of Companies within the prescribed time to ensure the mortgage is valid and legally valid.

73. (B) The sale shall become void, or the buyer shall transfer the property back to the seller.
Under the terms of a mortgage by conditional sale, if the mortgagor pays the mortgage money on or before the specified date, the ostensible sale becomes void. Alternatively, the agreement may stipulate that upon payment, the buyer is legally obligated to transfer the property back to the seller, thereby restoring the original ownership status for the mortgagor.

74. (C) No, since Ramesh was unaware of the transfer, his payment to Suresh is legally valid.
Although the transfer of an actionable claim is valid upon execution of the instrument, protection for the debtor applies. If a debtor, without knowledge of the transfer, pays the debt to the original creditor, that payment is considered valid. Consequently, the transferee cannot recover the money from the debtor and must instead seek it from the transferor.

75. (A) Mortgage by Deposit of Title Deeds
By delivering the original title deeds to the bank in Chennai with the clear intention to create a security for a loan, the individual has created a mortgage by deposit of title deeds. This type of mortgage, also known as an equitable mortgage, is concluded by the physical act of delivery without needing a formal deed to be registered.

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property. Importantly, the condition must be embodied in the same document that purports to effect the sale; if the condition is in a separate document, the transaction cannot be legally treated as a mortgage by conditional sale.

58. (A) The condition effecting the sale - Can be embodied in an entirely separate, unregistered oral agreement.
For a transaction to be recognized as a mortgage by conditional sale, the proviso to Section 58(c) explicitly requires that the condition must be embodied in the document which effects or purports to effect the sale. An oral or separate agreement is insufficient to create this specific type of mortgage under the Transfer of Property Act for legal recognition.

59. (A) I, II, and III only
An English mortgage involves a personal obligation to pay on a specific date and an absolute transfer of property to the mortgagee. It contains a proviso for re-transfer upon full payment. While the power of sale without court intervention is linked to specific towns, the classification of an English mortgage itself is based on its contractual structure, not property location.

60. (A) Only I is correct
Under the Transfer of Property Act, once an actionable claim is transferred by an instrument in writing, the transferee acquires the right to sue the debtor in their own name. The law does not require the transferee to obtain the transferor's consent or involve them in the legal proceedings to recover the debt from the debtor effectively.

61. (C) It is an oral transaction and does not strictly require registration unless state law mandates it.
A mortgage by deposit of title deeds is fundamentally an oral transaction created by the physical delivery of documents. Since the Transfer of Property Act does not mandate a written deed for its creation, it generally falls outside the compulsory registration requirements of the Registration Act, unless specific state-level amendments have made the registration of such memorandums mandatory.

62. (A) The condition must be embodied in the document which effects or purports to effect the sale.
According to Section 58(c) of the Transfer of Property Act, no transaction shall be deemed to be a mortgage by conditional sale unless the condition is embodied in the document which effects or purports to effect the sale. This strict requirement ensures clarity and prevents absolute sales from being casually recharacterized as mortgages without formal written proof between parties.

63. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
The assertion correctly states that the mortgagor binds themselves to repay on a certain date. The reason accurately describes the absolute transfer and re-transfer proviso. While both statements are legally true descriptions of an English mortgage, the nature of the property transfer does not logically explain why the mortgagor personally binds themselves to a repayment date as stated.

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64. (A) Yes; it is an English mortgage in Mumbai with three months' default after notice.
Section 69 permits sale without court intervention when the mortgage is an English mortgage and the property is in Mumbai, provided neither party is Hindu, Muslim, or Buddhist. Since the default exceeded three months after the written notice was served, the bank is legally authorized to exercise its power of sale as per the mortgage deed terms and conditions.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
An equitable mortgage, or mortgage by deposit of title deeds, does not require a written instrument because the law recognizes the delivery of title documents as the act creating the security. Since the transaction is completed through this physical delivery with the specific intent to secure a debt, it remains exempt from the mandatory registration requirements applicable to written mortgage deeds.

permits notice to be sent by post to the party or delivered to a family member or servant at their residence, making postal delivery a legally acceptable method of notification.

48. (B) Mortgage by Deposit of Title Deeds - Delivery of documents of title with intent to create a security.
A mortgage by deposit of title deeds is defined by the delivery of documents of title to a creditor in a notified town. Simple mortgages do not involve possession delivery. Usufructuary mortgages involve possession for profit appropriation but are not absolute transfers. Mortgages by conditional sale involve an ostensible sale, whereas simple mortgages involve a personal payment bond.

49. (B) II and III only
The Supreme Court held that accessions made to leased property during the lease term are deemed part of the lease. If a lessee encroaches on adjacent land and acquires title, they do so for the benefit of the lessor. Consequently, upon the termination of the lease, the lessee must surrender the original land along with any such accessions.

50. (A) Only I is correct
A lease for a fixed period can legally include a provision allowing the lessee's heirs to enjoy the remaining term if the lessee dies early. However, the presence of an heritability clause or an indefinite period does not automatically make a lease permanent. Whether a lease is permanent depends on the specific language used and the intention of the parties.

51. (B) II, IV, and V only
Actionable claims exclude secured debts. They must be transferred by a signed written instrument, after which the transferee can sue in their own name. While notice to the debtor is not mandatory for the transfer's validity, if the debtor pays the original creditor without knowledge of the transfer, that payment is considered legally valid and discharges the debt accordingly.

52. (A) P-2, Q-3, R-1, S-4
Section 69 deals with power of sale. Dena Bank v. Bhikhabhai addresses Crown debt priority. Section 106 defines lease durations. Chapsibhai v. Purushottam involves the interpretation of lease periods and accessions. These correlations form the basis of property law application regarding mortgage enforcement, debt recovery, and the duration and terms of leasehold interests according to established legal principles.

53. (C) Execution proceedings - Can commence strictly before the final decree is passed by the court.
In the civil court enforcement process, execution proceedings can only commence after the court has passed a final decree. A preliminary decree merely establishes the debt and provides a payment window. If payment is not made, the mortgagee must move for a final decree, which is the necessary prerequisite for initiating execution and the actual sale of property.

54. (B) I, II, and IV only
Perpetual lease agreements can serve as title deeds. The lease must be stamped and registered to be valid for mortgage purposes. Crucially, the lease deed must explicitly permit the lessee to create a mortgage. While the unexpired period must be sufficient to cover the loan term, it does not have to be exactly equal to the repayment period.

55. (B) I and III only
The power of sale can be exercised if interest of at least five hundred rupees is three months overdue. Upon sale, the residue of the proceeds must be paid to the person entitled to the property. Although notice is required, Section 69 protects the purchaser's title even if the power was exercised irregularly or without proper notice to the mortgagor.

56. (A) P-2, Q-1, R-4, S-3
Mortgage-money includes both principal and interest. Premium is the price paid or promised for a lease. A mortgage-deed is the instrument effecting the transfer. Rent refers to the money or goods given periodically in exchange for the right to enjoy the leased property. These definitions are essential for identifying the financial components of property transactions under the Act.

57. (A) I, II, III, and IV only
This mortgage involves an ostensible sale that becomes absolute on default or void upon payment. If paid, the buyer must re-transfer the

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76. (D) The lessee must surrender such accession together with the leased land to the lessor.
Legal principles establish that if a lessee encroaches on third-party land during their lease and acquires title by prescription, they are presumed to have done so for the lessor's benefit. Therefore, at the end of the lease, the lessee is legally bound to surrender both the original leased premises and the encroached land to the lessor without compensation.

77. (D) Transfer of an actionable claim
A debt that is not secured by a mortgage, hypothecation, or pledge is classified as an actionable claim. The act of transferring this debt from one person to another via a signed written instrument constitutes the transfer of an actionable claim under the Transfer of Property Act, moving the right to receive payment to the transferee effectively.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
It is legally required to implead all puisne mortgagees in a suit for the enforcement of a mortgage. This is because these subsequent mortgagees hold an interest in the property's equity of redemption. Their presence is necessary to allow the court to fully adjudicate all rights and determine the correct order of priority for distributing any sale proceeds.

79. (B) Six months' notice
For leases deemed to be from year to year, such as those for manufacturing or agricultural purposes under Section 106, the law requires a six-month notice period for termination. This notice must be in writing and signed by the party giving it, and while traditionally expiring with the end of a year of the tenancy, this is no longer a mandatory requirement for legal validity.

80. (A) Pay sale costs first, then discharge the debt, and pay any residue to the entitled person.
Section 69 of the Act mandates a specific sequence for applying sale proceeds from a non-judicial sale. The money must first pay the costs and expenses of the sale. Next, it discharges the principal mortgage money and interest. Finally, any remaining residue must be paid to the mortgagor or the person legally entitled to the property.

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Oct/Nov 2006

37. Which of the following is NOT explicitly mandated for a public authority to publish about its organization under the Right to Information Act?
(A) The political affiliations of its top executives.
(B) Powers of its officers and employees.
(C) Procedure followed in the decision making process.
(D) Norms set by it for the discharge of its functions.

May/June 2025

38. Which of the following is the most appropriate interpretation of the term 'Appropriate Government' in the context of a public authority established by a State Legislature?
(A) The Central Government, because all national laws ultimately derive their validity from the Constitution.
(B) The Central Information Commission, as it provides oversight for all State Information Commissions.
(C) The Union Territory Administration, if the state in question shares a geographical border with a Territory.
(D) The State Government, as the authority is established by a law made by the State Legislature.

Oct/Nov 2022

39. Consider the following forms of material:
I. Press releases and circulars
II. Logbooks and contracts
III. Samples and models
IV. Data material held in any electronic form
Which of the above are included in the definition of 'Information' under Section 2(f)?
(A) I and IV only
(B) II, III, and IV only
(C) I, II, and III only
(D) I, II, III, and IV

May/June 2018

40. A journalist files an RTI requesting the detailed medical history and personal family disputes of a bank manager, which have no relation to the manager's public duties or any public activity. Should the bank disclose this information?
(A) Yes, because the bank manager is a public servant and thereby forfeits all fundamental rights to personal privacy.
(B) Yes, because the media has an absolute and unconditional right to access all information held by any public authority.
(C) No, unless the journalist provides a written guarantee not to publish the sensitive information in any public newspaper.
(D) No, the Act exempts personal information having no public relation or causing an unwarranted invasion of privacy.

Oct/Nov 2011

41. Consider the following items requested by a citizen under the RTI Act:
I. Press releases issued by the public authority
II. Advice tendered by an internal committee
III. Samples of raw material used in a public bridge construction
IV. Data material held on a computer server
V. Regulatory compliance documents of a private company that the public authority legally holds
Which of these fall within the definition of 'Information' under the Act?
(A) I, II, and IV only
(B) III, IV, and V only
(C) I, II, IV, and V only
(D) I, II, III, IV, and V

May/June 2010

42. Consider the following statements:
I. The Right to Information Act exempts the disclosure of personal information which would cause an unwarranted invasion of the privacy of the individual.
II. A competent authority can mandate the disclosure of a trade secret if satisfied that larger public interest warrants it.
Which of the statements given above is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2025

43. A public authority was constituted by a specific law passed by the State Legislature of Maharashtra and is substantially financed by the State Government. According to Section 2(a), who is the appropriate government?
(A) The Central Government
(B) The State Government of Maharashtra

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public activity.
(D) Only the personal information of public authority officials is exempt, while that of ordinary citizens is not.

Oct/Nov 2007

7. What is the fundamental intent behind the enactment of the Right to Information Act, 2005?
(A) To establish a comprehensive mandatory framework for the complete privatization of all public sector enterprises
(B) To set out a practical regime for citizens to access information under the control of public authorities
(C) To provide public authorities with broad discretionary powers regarding the classification of official records
(D) To restrict the international flow of specific governmental data to foreign entities and global organizations

May/June 2021

8. Consider the following provisions of the Right to Information Act, 2005:
I. Obligations of public authorities
II. Designation of public information officers and assistant public information officers
III. Constitution of Central Information Commission
IV. Non-applicability of the Act to certain organizations
Which of the above provisions came into force on 15 June 2005?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2016

9. Match the following dates (List I) with their corresponding events under the Right to Information Act (List II):
List I: (Date)
P. 15 June 2005
Q. 12 October 2005
R. 31 October 2019
S. 120 days after 15 June 2005
List II: (Event)
1. Remaining provisions came into force
2. Amendment extending the Act to the whole of India
3. Constitution of State Information Commission came into force
4. Freedom of Information Act, 2002 was repealed
(A) P-3, Q-4, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-1, S-2
(D) P-3, Q-1, R-4, S-2

May/June 2009

10. A citizen believes that a specific government department has been misusing public funds and wishes to hold the instrumentality accountable. Under which framework can the citizen secure access to the relevant records?
(A) The Official Secrets Act, 1923
(B) The Freedom of Information Act, 2002
(C) The Right to Information Act, 2005
(D) The Prevention of Money Laundering Act, 2002

Oct/Nov 2024

11. Match the following particulars (List I) with their corresponding categories of mandatory publication (List II) as per the Act:
List I: (Particulars)
P. Particulars of organization
Q. Procedure followed in decision making
R. Norms set by the authority
S. Documents used for discharging functions
List II: (Mandatory Publication Categories)
1. Includes rules, regulations, instructions, and manuals
2. Includes functions and duties, and powers of officers
3. Includes channels of supervision and accountability
4. Relates to the standard criteria for the discharge of its functions
(A) P-2, Q-3, R-4, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-1, R-2, S-3

May/June 2017

12. Identify the correct statement regarding the core objective of the Right to Information Act, 2005.
(A) The Act is primarily intended to secure access to information under the control of private multi-national corporations.
(B) The Act delegates the responsibility of maintaining transparency exclusively to

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(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2016

51. An activist seeks access to the daily vehicle logbooks and construction contracts maintained by a government department. The department argues that these are routine logistical documents, not 'information' under the Act. Under Section 2(f), how should this be evaluated?
(A) The department is correct as routine logistical documents are excluded from disclosure to save administrative time.
(B) Only the binding legal contracts must be provided, while internal logistical logbooks are strictly excluded.
(C) The logbooks must be provided only if they are older than ten years and no longer hold operational relevance.
(D) The logbooks and contracts must be provided as they are expressly included in the definition of 'Information'.

May/June 2009

52. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): The Right to Information Act, 2005 was enacted with the intent to contain corruption.
Reason (R): Providing citizens with access to information under the control of public authorities holds the Governments and their instrumentalities accountable to the governed.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2024

53. According to Section 2(a) of the Right to Information Act, which of the following is defined as the 'Appropriate Government' for a public authority owned, controlled, or substantially financed directly by the Union Territory Administration?
(A) The State Government
(B) The local municipal corporation
(C) The Central Government
(D) The Central Information Commission

May/June 2017

54. Consider the following specific items:
I. Memos
II. E-mails
III. Opinions and advices
IV. Reports and papers
V. Information relating to any private body which can be accessed by a public authority under any law for the time being in force
Which of the above fall under the definition of 'Information' as per the Right to Information Act?
(A) I, II, IV, and V
(B) I, III, IV, and V
(C) II, III, and V
(D) I, II, III, IV, and V

Oct/Nov 2005

55. A Non-Governmental Organization (NGO) is substantially financed by funds provided indirectly by the Union Territory Administration. An RTI request is filed with this NGO. Which entity is considered the 'Appropriate Government' in this case?
(A) The Central Government
(B) The State Government
(C) The NGO's Board of Directors
(D) The local panchayat

May/June 2020

56. Consider the following statements regarding exemptions from disclosure under the Right to Information Act:
I. Disclosure of commercial confidence trade secrets is exempt if it harms the competitive position of a third party.
II. Personal information with no relation to any public activity is strictly exempt under all circumstances, even if larger public interest warrants it.
III. The exemption for a third party is also available to banks to protect their own competitive position.
Which of the statements given above is/are correct?
(A) I and II only
(B) I and III only

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governed public.

Oct/Nov 2008

19. Consider the following statements regarding the stages of implementation of the Right to Information Act:

I. Provisions relating to the obligations of public authorities came into force on 15 June 2005.
II. Provisions relating to the power to make rules came into force on 15 June 2005.
III. The remaining provisions came into force exactly 120 days after 15 June 2005.
IV. The Freedom of Information Act, 2002 was repealed on 12 October 2005.
V. The amendment extending the Act to the whole of India came into effect on 31 October 2019.

Which combination of the statements is correct?

(A) I, II, IV, and V
(B) I, III, IV, and V
(C) II, III, and IV
(D) I, II, III, IV, and V

May/June 2006

20. Identify the incorrect statement regarding the enforcement of the Right to Information Act, 2005.

(A) 15 June 2005 — The Freedom of Information Act, 2002 was repealed
(B) 15 June 2005 — Designation of public information officers
(C) 12 October 2005 — The remaining provisions of the Act came into force
(D) 31 October 2019 — Amendment extending the Act to the whole of India

Oct/Nov 2017

21. Consider the following particulars that a public authority is required to publish:

I. Particulars of its organization, functions and duties.
II. Powers of its officers and employees.
III. Norms set by it for the discharge of its functions.
IV. Rules, regulations, instructions, manuals and records held by it or used by its employees for discharging functions.

Which of the above are mandated by the Right to Information Act?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2008

22. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): The Right to Information Act, 2005 was enacted with the intent to contain corruption.

Reason (R): Providing citizens with access to information under the control of public authorities holds the Governments and their instrumentalities accountable to the governed.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2013

23. On coming into force of the Right to Information Act on 12.10.2005, which of the following Acts was repealed?

(A) The Public Records Act, 1993
(B) The Official Secrets Act, 1923
(C) The Information Technology Act, 2000
(D) The Freedom of Information Act, 2002

May/June 2015

24. Identify the incorrect statement regarding the Right to Information Act's enforcement dates.

(A) The Constitution of the Central Information Commission came into force on 15 June 2005.
(B) The Act was extended to the whole of India with effect from 31-10-2019.
(C) The Freedom of Information Act, 2002 was repealed on 12 October 2005.
(D) The section on non-applicability of the Act to specific organizations became effective on 12 October 2005.

Oct/Nov 2012

25. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): The remaining provisions of the Right to Information Act came into force on 12

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October 2005.
Reason (R): The remaining provisions were made effective 120 days after 15 June 2005.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2011

26. Consider the following statements regarding the intent of the Right to Information Act, 2005:
I. To promote transparency and accountability in the working of every public authority.
II. To ensure that governments and their instrumentalities are entirely exempt from public scrutiny.
III. To set out a practical regime for citizens to secure access to information.
Which of the statements given above is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2020

27. Which of the following best defines the mandatory publication requirement regarding the functioning of a public authority as per the Right to Information Act?
(A) The procedure followed in decision making, including channels of supervision and accountability.
(B) The comprehensive private financial investment portfolios of all of its subordinate employees.
(C) The proprietary and confidential trade secrets of various competing private commercial entities.
(D) The detailed daily attendance logs and biometric records of all its third-party service vendors.

May/June 2022

28. In terms of the amendment made effective from 31-10-2019, to which geographical area does the Right to Information Act extend?
(A) The whole of India
(B) The whole of India except the State of Jammu and Kashmir
(C) Only the Union Territories of India
(D) Only the States of India excluding Union Territories

Oct/Nov 2023

29. Which of the following is NOT an entity automatically required to comply with the provisions of the Right to Information Act as a public authority?
(A) A public sector bank under government control
(B) A financial institution owned by the Government
(C) A wholly private corporation with no government financing
(D) An institution established by an official state notification

May/June 2016

30. Identify the correct pair regarding the enforcement dates of the Right to Information Act, 2005.
(A) 15 June 2005 — Repeal of the Freedom of Information Act, 2002
(B) 12 October 2005 — Constitution of State Information Commission
(C) 12 October 2005 — Provisions relating to the power to make rules came into force
(D) 31 October 2019 — Extension of the Act to the whole of India

Oct/Nov 2009

31. A citizen asks a public sector institution for the manuals and records used by its employees for discharging its functions. The institution denies the request, stating these are strictly for employee use only. Under the Right to Information Act, is the denial justified?
(A) Yes, internal employee manuals are classified as proprietary and are strictly exempt from any form of public disclosure.
(B) Yes, the Act only covers finalized decisions and does not extend to the various manuals used by staff to reach them.
(C) No, a public authority must publish all rules, regulations, instructions, and manuals used by employees for discharging functions.
(D) No, but the institution is only required to provide a heavily redacted and simplified summary of the operational manuals.

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May/June 2012

32. A citizen directs an RTI application to a Central Assistant Public Information Officer (CAPIO). The public authority rejects the application, claiming that only the designated Central Public Information Officer (CPIO) is legally bound to receive it under Section 2(c). Is this rejection legally valid under the definitions of the Act?

(A) Yes, Section 2(c) explicitly separates the distinct legal roles and responsibilities of the CPIO and the CAPIO.

(B) No, as Section 2(c) defines Central Public Information Officer to include a Central Assistant Public Information Officer.

(C) Yes, because CAPIOs are only authorized to handle internal employee grievances and basic administrative support.

(D) No, but the citizen is required to pay double the standard application fee to submit any request through a CAPIO.

Oct/Nov 2018

33. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).

Assertion (A): A public sector bank can legitimately refuse to disclose its own commercial confidence trade secrets under the Right to Information Act.

Reason (R): Under the Act, the definition of a third party includes a public authority, allowing the bank to protect information that would harm its own competitive position.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2007

34. Match the following elements (List I) with their corresponding categories as described in the definition of 'Information' (List II):

List I: (Element)

P. E-mails

Q. Data material

R. Circulars and orders

S. Private body details

List II: (Category)

1. Material held in any electronic form
2. Electronic correspondence in any form
3. Information accessible by a public authority under any law in force
4. Official directives and notices

(A) P-2, Q-1, R-4, S-3

(B) P-1, Q-2, R-3, S-4

(C) P-4, Q-3, R-1, S-2

(D) P-3, Q-4, R-2, S-1

Oct/Nov 2014

35. How does the Right to Information Act conceptually differentiate between the Central Government and the State Government when determining the 'Appropriate Government' for a public authority?

(A) It depends on whether the public authority is established, constituted, owned, controlled, or substantially financed by funds provided directly or indirectly by the Central or State Government respectively.

(B) It depends primarily on the exact physical location of the public authority's national headquarters within the country.

(C) It depends entirely on the total number of permanent and temporary employees working within the specific public authority.

(D) It depends on whether the public authority maintains operations or branches across multiple states or just a single one.

May/June 2019

36. A citizen files an RTI application asking a public sector bank to provide copies of specific e-mails and expert opinions recorded during the evaluation of a loan proposal. The bank refuses, stating that e-mails and internal opinions do not constitute 'information'. Is this refusal justified?

(A) No, as Section 2(f) explicitly includes e-mails and opinions in the statutory definition of information.

(B) Yes, because e-mails are considered private correspondence and are strictly exempt under all circumstances.

(C) Yes, because professional opinions are subjective and are therefore excluded from the definition of information.

(D) No, but the bank is only obligated to provide physical letters and not digital printouts of its internal e-mails.

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State Information Commissions.

(C) The Act secures access to information under public authority control to promote transparency and accountability.

(D) The Act focuses entirely on the protection of commercial trade secrets without any public interest exceptions.

Oct/Nov 2005

13. Identify the correct statement concerning the applicability of the Right to Information Act to financial institutions.

(A) Public sector banks and institutions owned and controlled by the Government must comply with the Act.

(B) Public sector banks are strictly exempted from the legal obligations and the various provisions of the Act.

(C) Only private sector banks operating under international licenses are required to comply with the RTI Act.

(D) Public sector banks must comply with the Act only if they maintain branches in more than three distinct States.

May/June 2020

14. Which of the following provisions did NOT come into force on 15 June 2005?

(A) Obligations of public authorities

(B) Constitution of Central Information Commission

(C) The repeal of the Freedom of Information Act, 2002

(D) Power to make rules

Oct/Nov 2015

15. The Right to Information Act exempts the disclosure of commercial confidence trade secrets that would harm the competitive position of a third party. Under what conceptual condition can this exemption be overridden?

(A) If the third party gives formal oral consent to any subordinate officer within the relevant public authority

(B) If the information is older than five years and no longer holds significant commercial value for the entity

(C) If the applicant agrees to pay a premium application fee for the processing of sensitive commercial data

(D) If the competent authority is satisfied that larger public interest warrants the disclosure of the information

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May/June 2013

16. Which broad goals are specifically targeted by promoting transparency and accountability in the working of every public authority?

(A) Containing corruption and holding the Governments and their instrumentalities accountable to the governed

(B) Containing inflation and regulating the complex fiscal deficit of the country through monetary policies

(C) Maximizing the operational profitability and shareholder value of various public sector banking units

(D) Eliminating the existence and legal recognition of non-governmental organizations within the territory

Oct/Nov 2021

17. A newly established public sector bank claims that since it was formed after 2005, it is not obligated to designate a Public Information Officer. Based on the provisions of the Right to Information Act, is this claim valid?

(A) No, as all public sector banks owned by the Government are public authorities and must comply with the provisions.

(B) Yes, provided the bank can prove that only institutions established prior to 15 June 2005 are legally obligated.

(C) Yes, because newly formed public sector banks are strictly exempted from the statutory definition of a public authority.

(D) No, but the bank remains exempt until it receives a specific, explicit notification from the State Information Commission.

May/June 2024

18. Identify the incorrect statement regarding the intent and objectives of the Right to Information Act, 2005.

(A) It provides absolute immunity to all public authorities against data disclosure requests.

(B) It facilitates the promotion of transparency in the functioning of every designated public authority.

(C) It is directed toward the systematic containing of corruption within government departments and offices.

(D) It aims to hold the Government and all its instrumentalities accountable to the general

(C) The Central Information Commission
(D) The President of India

May/June 2005

44. Identify the correct pair matching the defined term with its corresponding Section in the Right to Information Act, 2005.
(A) Section 2(a) — Central Information Commission
(B) Section 2(f) — Public authority
(C) Section 2(h) — Information
(D) Section 2(c) — Central Public Information Officer

Oct/Nov 2010

45. Identify the correct statement regarding the scope of 'Information' under the Right to Information Act.
(A) It is restricted exclusively to paper-based documents and records.
(B) It explicitly excludes any information relating to private bodies, regardless of a public authority's legal access to it.
(C) It includes opinions, advices, and data material held in any electronic form.
(D) It only encompasses formal contracts and ignores memos and logbooks.

May/June 2023

46. Which of the following is the most appropriate reason why a bank can claim exemption from disclosing certain information under the "third party" clause of the Right to Information Act?
(A) Because banks are inherently private bodies and do not answer to the Government.
(B) Because "third party" includes public authorities, allowing banks to protect information that harms their own position.
(C) Because banks are governed exclusively by the Banking Regulation Act, which provides a total superseding effect over the RTI Act.
(D) Because all financial data processed by banking institutions is permanently classified as state secrets by the national treasury.

Oct/Nov 2019

47. Which of the following is NOT explicitly included in the definition of 'Information' under Section 2(f) of the Right to Information Act?
(A) Official logbooks and binding legal contracts.
(B) Unrecorded verbal thoughts of a public official.
(C) Internal e-mails and expert committee opinions.
(D) Physical models and material samples of projects.

May/June 2014

48. Company X files an RTI application with a public sector bank to obtain the sensitive trade secrets of its rival, Company Y, which Company Y had submitted to the bank for a loan. The bank refuses to disclose it. What is the legal basis for this refusal under the RTI Act?
(A) The information is exempt because all corporate data held by banks is permanently classified under the state secrecy protocols.
(B) The information is exempt as trade secrets where disclosure would harm the competitive position of a third party.
(C) The bank cannot refuse this request; it must disclose the information immediately because it is a designated public authority.
(D) The information is exempt specifically because Company X failed to pay the required commercial request processing fee to the bank.

Oct/Nov 2007

49. A newly formed State Government constitutes a regulatory body to oversee local trade. This body is entirely funded and controlled by the State Government. Who has the authority to constitute the State Information Commission that will handle appeals regarding this body?
(A) The State Government
(B) The Central Government
(C) The Parliament of India
(D) The Central Information Commission

May/June 2021

50. Consider the following statements regarding the definition of 'Central Public Information Officer' under Section 2(c):
I. It means the Central Public Information Officer designated by the public authority.
II. It includes a Central Assistant Public Information Officer.
III. It includes the Chief Minister of a State.
Which of the statements given above is/are correct?
(A) I and II only

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CHAPTER 31

The Right to Information ACT, 2005

Oct/Nov 2025

1. Which of the following best describes the purpose of creating a machinery under the Right to Information Act, 2005?
(A) To automatically generate annual reports for all non-governmental organizations
(B) To strictly regulate the foreign funding received by public authorities
(C) To centralize all judicial powers within the Information Commissions
(D) To ensure effective implementation of the provisions of the Act

May/June 2005

2. Consider the following statements:
I. The amendment extending the Right to Information Act to the whole of India is stated in Section 1(2).
II. The Freedom of Information Act, 2002 was repealed on 15 June 2005.
Which of the statements given above is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2010

3. Consider the following statements regarding the Right to Information Act, 2005:
I. It aims at providing access to information under the control of public authorities.
II. It creates a machinery for ensuring effective implementation of the Act.
Which of the statements given above is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2023

4. An applicant submits an RTI request in a region of India on 1 November 2019, which previously claimed exemption from the Act's jurisdiction. Under the amended Section 1(2), how should the public authority respond?
(A) Reject the application on the basis that the RTI Act only applies to the offices of the Central Government.
(B) Forward the application to the Ministry of External Affairs for formal security clearance and verification.
(C) Process the application as the Act was extended to the whole of India with effect from 31 October 2019.
(D) Reject the application because the 2019 amendment significantly reduced the overall geographical scope of the Act.

Oct/Nov 2019

5. Arrange the following events regarding the Right to Information Act in chronological order of their effective dates:
I. The remaining provisions of the Act came into force.
II. The Freedom of Information Act, 2002 was repealed.
III. Provisions relating to the designation of public information officers came into force.
IV. The Act was extended to the whole of India via an amendment.
(A) III, I, II, IV
(B) I, II, III, IV
(C) III, II, I, IV
(D) II, III, I, IV

May/June 2014

6. Identify the correct statement regarding the exemption of personal information under the Right to Information Act.
(A) Personal information must always be disclosed regardless of its nature or potential impact on the individual.
(B) Information is exempt if it has no relation to public activity or would cause unwarranted invasion of privacy.
(C) Personal information is completely exempt from disclosure even if it strongly relates to

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(C) II and III only
(D) I, II, and III

Oct/Nov 2015

57. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): Information relating to a private corporate body can be accessed under the Right to Information Act by a citizen.
Reason (R): The definition of 'Information' includes information relating to any private body which can be accessed by a public authority under any law for the time being in force.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2013

58. A public sector bank is developing a new, highly competitive financial product. A rival private bank files an RTI request to obtain the structural details and trade secrets of this new product. The public sector bank refuses, citing it would harm its own competitive position. Is this valid under the Act?
(A) Yes, as the "third party" definition includes public authorities, allowing banks to protect their own competitive position.
(B) No, as public authorities are strictly prohibited from claiming any exemptions that were designed specifically for third parties.
(C) No, the bank is legally obligated to provide the information but is permitted to delay the response for up to 120 days.
(D) Yes, but only if the Central Information Commission conducts a personal review and approves the product structure first.

Oct/Nov 2021

59. According to Section 2(f) of the Right to Information Act, which of the following is the precise definition of 'Information'?
(A) Physical files and handwritten paper documents designated as public records by a senior ranking gazetted officer.
(B) Aggregated statistical datasets and census figures curated and released by ministries under the Central Government.
(C) Records, memos, e-mails, opinions, reports, models, and data material stored in any form, including electronic media.
(D) Formal annual audit reports and fiscal performance summaries published at the end of every financial year by an office.

May/June 2024

60. Identify the incorrect statement regarding the definitions provided in the Right to Information Act.
(A) 'Central Information Commission' means the commission constituted by the Central Government.
(B) 'Central Public Information Officer' excludes a Central Assistant Public Information Officer.
(C) 'State Information Commission' means the commission constituted by the State Government.
(D) The 'Appropriate Government' can be either the Central Government or the State Government.

Oct/Nov 2008

61. Conceptually, why does the Right to Information Act include certain Non-Government Organizations (NGOs) within the definition of a 'Public authority'?
(A) To eventually nationalize all successful NGOs
(B) To strictly prohibit NGOs from accepting foreign donations
(C) To ensure accountability for entities substantially financed by funds provided by the appropriate Government.
(D) To mandate that NGOs only hire government-approved employees

May/June 2006

62. Consider the following statements regarding the 'State Information Commission':
I. It is defined under Section 2(k) of the RTI Act.
II. It means the State Information Commission constituted by the State Government.
III. It is empowered to independently amend the provisions of the RTI Act.
Which of the statements given above is/are

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Act to certain organizations were implemented on that date.

9. (A) P-3, Q-4, R-2, S-1
On June 15, 2005, several provisions including the constitution of Information Commissions came into force. The Freedom of Information Act, 2002 was repealed on October 12, 2005, coinciding with the activation of the remaining provisions 120 days after enactment. Later, an amendment effective from October 31, 2019, extended the Act to cover the entire territory of India for citizens.

10. (C) The Right to Information Act, 2005
The Right to Information Act, 2005 provides the legal framework for citizens to access government records and information. By allowing public scrutiny of documents held by government departments, the Act facilitates accountability and helps contain corruption. This statutory right ensures that every instrumentality of the state remains answerable to the governed regarding the management and use of all public funds.

11. (A) P-2, Q-3, R-4, S-1
Public authorities are mandated to publish specific organizational details including functions and officer powers. The decision-making process must be transparent, detailing channels of supervision and accountability. Norms for discharging functions represent the standard criteria applied by the authority. Additionally, all rules, regulations, instructions, and manuals used by employees for their official duties must be made available to the general public.

12. (C) The Act secures access to information under public authority control to promote transparency and accountability.
The fundamental objective of the Right to Information Act is to secure access to information held by public authorities. This mechanism is designed to promote transparency and ensure accountability in the functioning of every government department. By providing citizens with this right, the Act seeks to contain corruption and make the governance process more open to regular public scrutiny.

13. (A) Public sector banks and institutions owned and controlled by the Government must comply with the Act.
The Right to Information Act applies to all public authorities, which includes institutions owned, controlled, or substantially financed by the government. Consequently, public sector banks are legally obligated to comply with the provisions of the Act. They must designate information officers and provide requested data to citizens, as they are considered instrumentalities of the state under the established statutory definition.

14. (C) The repeal of the Freedom of Information Act, 2002
While the Right to Information Act was enacted on June 15, 2005, only specific provisions became effective immediately. These included obligations of public authorities and the power to make rules. However, the Freedom of Information Act, 2002 was not repealed until October 12, 2005. This date marked the end of the 120-day transition period for implementing the remaining legislative sections.

15. (D) If the competent authority is satisfied that larger public interest warrants the disclosure of the information
Although the Act protects commercial confidence, trade secrets, and intellectual property to prevent competitive harm, these exemptions are not absolute. Disclosure can be mandated if a competent authority determines that the larger public interest outweighs the potential harm to a third party. This provision ensures that transparency prevails when information is considered vital for the welfare or knowledge of society.

16. (A) Containing corruption and holding the Governments and their instrumentalities accountable to the governed
Promoting transparency and accountability through the Right to Information Act serves to contain corruption within government operations. This legal framework ensures that governments and their various instrumentalities remain strictly accountable to the citizens they serve. By making official information accessible, the Act creates an informed citizenry capable of checking the exercise of public power and improving the quality of governance.

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(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

69. Identify the incorrect statement regarding the modes of accessing information under Section 2(j).
(A) A citizen has the legal right to inspect work, documents, and records.
(B) A citizen is permitted to take notes and extracts of documents.
(C) A citizen can obtain printouts where information is stored in computers.
(D) Information cannot be provided via electronic modes like diskettes or tapes under any legal circumstances.

May/June 2022

70. According to Section 2(j), 'Right to information' includes the right to:
I. Inspection of work, documents, records
II. Taking notes, extracts or certified copies of documents or records
III. Taking certified samples of material
IV. Obtaining information in the form of diskettes, floppies, tapes, or video cassettes
Which of the above are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2023

71. Consider the following modes of establishment for an authority or body:
I. By or under the Constitution
II. By any other law made by Parliament
III. By any other law made by the State Legislature
IV. By notification issued or order made by the appropriate Government
Which of the above establish an entity as a 'Public authority' under the RTI Act?
(A) I and II only
(B) I, II, and III only
(C) II, III, and IV only
(D) I, II, III, and IV

May/June 2016

72. Which of the following is the most appropriate condition under which a body established by a notification or order becomes a 'Public authority'?
(A) The notification must be issued by the Supreme Court of India.
(B) The body must generate a minimum annual revenue of one crore rupees.
(C) The body must have a minimum of fifty permanent employees.
(D) The notification must be issued or order made by the appropriate Government.

Oct/Nov 2009

73. Which of the following is the most appropriate description of how a citizen can obtain information stored electronically by a public authority, as per Section 2(j)?
(A) By demanding the physical relocation of the computer hardware to their own personal residence for private inspection.
(B) By obtaining the information in the form of diskettes, tapes, video cassettes, electronic modes, or through printouts.
(C) By directly accessing the public authority's internal servers and database systems remotely via an encrypted link.
(D) By requesting the public authority to read the raw data aloud over a public radio broadcast for the benefit of all.

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May/June 2012

74. Match the specific actions (List I) with their corresponding objects (List II) as defined under 'Right to information':
List I: (Specific Action)
P. Inspection
Q. Taking certified copies
R. Taking certified samples
S. Obtaining printouts
List II: (Object)
1. Material
2. Information stored in computers or in other device
3. Work, documents, records
4. Documents or records
(A) P-3, Q-4, R-1, S-2
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-3, R-2, S-1
(D) P-3, Q-1, R-4, S-2

Oct/Nov 2018

75. Identify the incorrect statement regarding the establishment of a 'Public authority'.
(A) Established exclusively by a resolution of a private corporate board — Considered a valid mode of establishment.
(B) Established by or under the Constitution — Considered a valid mode of establishment for a public authority.
(C) Established by any other law made by Parliament — Considered a valid mode of establishment for a public authority.
(D) Established by any other law made by the State Legislature — Considered a valid mode of establishment for a public authority.

May/June 2007

76. Under which Section of the Right to Information Act, 2005 is the term 'Right to information' explicitly defined?
(A) Section 2(a)
(B) Section 2(c)
(C) Section 2(h)
(D) Section 2(j)

Oct/Nov 2014

77. Consider the following statements regarding the 'Right to information':
I. It means the right to information accessible under this Act which is held by or under the control of any public authority.
II. It includes the right to take certified samples of material.
Which of the statements given above is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2019

78. Match the following entities (List I) with the reason they qualify as a 'Public authority' (List II) under Section 2(h):
List I: (Entity)
P. Election Commission of India
Q. Securities and Exchange Board of India (SEBI)
R. State Pollution Control Board
S. An NGO receiving 95% of its operating funds from the Government
List II: (Reason for Qualification)
1. Established by any other law made by Parliament
2. Substantially financed, directly or indirectly by appropriate Government funds
3. Established by or under the Constitution
4. Established by any other law made by the State Legislature
(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2006

79. Consider the following authorities capable of establishing a body that qualifies as a public authority under the RTI Act:
I. The Constitution
II. Parliament
III. State Legislature
Which of the statements given above is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2025

80. Consider the following forms in which information can be obtained under the Right to Information Act:
I. Diskettes
II. Floppies
III. Tapes
IV. Video cassettes
V. Printouts where such information is stored in computers or other device
Which of these are explicitly listed under Section 2(j)?
(A) I, II, and V only
(B) I, III, IV, and V only
(C) II, III, and IV only
(D) I, II, III, IV, and V

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ANSWERS

1. (D) To ensure effective implementation of the provisions of the Act
The Right to Information Act, 2005 establishes a practical regime for citizens to access information under public authorities. To achieve this objective, the Act mandates creating a specific administrative machinery. This structure ensures that various legal provisions regarding information disclosure are implemented effectively across all levels of government and public instrumentalities, promoting transparency and accountability throughout the country.

2. (A) Only I
Section 1(2) was amended by the Jammu and Kashmir Reorganisation Act, 2019, extending the Right to Information Act to the entire territory of India from October 31, 2019. The Freedom of Information Act, 2002 was actually repealed on October 12, 2005, when the main provisions of the RTI Act came into force, rather than in the month of June.

3. (C) Both I and II
The Right to Information Act, 2005 is designed to secure access to information held by public authorities for all citizens. It establishes a practical framework to promote transparency and accountability. Furthermore, the Act explicitly creates a dedicated machinery, including Information Commissions, to oversee and ensure the effective implementation of its various statutory provisions across all levels of government.

4. (C) Process the application as the Act was extended to the whole of India with effect from 31 October 2019.
Following the Jammu and Kashmir Reorganisation Act of 2019, the Right to Information Act was extended to include the entire territory of India. This change became effective on October 31, 2019. Consequently, public authorities must now process applications from regions that were previously exempted, as the geographical scope of the Act has been expanded by this specific legal amendment.

5. (A) III, I, II, IV
Specific provisions regarding the designation of public information officers came into force immediately on June 15, 2005. The remaining provisions, including the repeal of the Freedom of Information Act, 2002, became effective on October 12, 2005, which is exactly 120 days later. Finally, the Act was extended to the entire territory of India via a legislative amendment in late 2019.

6. (B) Information is exempt if it has no relation to public activity or would cause unwarranted invasion of privacy.
The Right to Information Act protects individual privacy by exempting personal information from disclosure. This exemption applies if the requested data has no connection to any public activity or interest. Additionally, if the disclosure would cause an unwarranted invasion of a person's privacy, it is withheld, unless a larger public interest justifies the release of information to the requester.

7. (B) To set out a practical regime for citizens to access information under the control of public authorities
The primary goal of the Right to Information Act is to establish a practical framework for citizens to exercise their right to access information. This information must be under the control of designated public authorities. By facilitating this access, the Act aims to promote transparency and accountability in the functioning of governments and their various instrumentalities throughout the entire country.

8. (D) I, II, III, and IV
Several key sections of the Right to Information Act became effective immediately upon its enactment on June 15, 2005. These include provisions regarding the obligations of public authorities and the designation of public information officers. Furthermore, rules for the constitution of Information Commissions and sections clarifying the non-applicability of the

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advices, and physical samples like those from construction sites. Additionally, data stored on servers and even documents from private companies that are legally held by a public authority fall under this definition. This wide-ranging inclusion allows citizens to scrutinize various aspects of public administration and oversight.

42. (C) Both I and II
The Right to Information Act provides exemptions to protect sensitive data. Personal information is withheld if it lacks public relevance or invades privacy. Similarly, trade secrets are protected to prevent commercial harm. However, a competent authority possesses the power to override these exemptions. If the disclosure is deemed to serve a larger public interest, even protected trade secrets can be released.

43. (B) The State Government of Maharashtra
According to the Right to Information Act, the "Appropriate Government" is the entity that established, constituted, or substantially financed the public authority. Since the body in question was constituted by a law of the Maharashtra State Legislature and receives substantial financing from the state, the State Government of Maharashtra is the legally designated appropriate government for oversight and rule-making purposes.

44. (D) Section 2(c) — Central Public Information Officer
The Right to Information Act provides specific definitions for key terms in Section 2. The Central Public Information Officer, who is responsible for processing information requests at the central level, is defined in Section 2(c). Other terms like the Central Information Commission, public authority, and information are defined in different sub-sections, specifically 2(b), 2(h), and 2(f) respectively, within the Act's structure.

45. (C) It includes opinions, advices, and data material held in any electronic form.
The scope of "information" under the Right to Information Act is not limited to traditional paper records. It explicitly includes more subjective elements like opinions and advices recorded in official files. Furthermore, the definition extends to any data material maintained in electronic formats. Information about private bodies is also accessible if a public authority has the legal right to access it under law.

46. (B) Because "third party" includes public authorities, allowing banks to protect information that harms their own position.
Public authorities, such as public sector banks, can utilize the "third party" clause to protect their own interests. The Act's definition of a third party includes the public authority itself. This allows a bank to claim exemption for its own commercial confidence information or trade secrets if disclosing them would negatively impact its competitive standing, provided no larger public interest is served.

47. (B) Unrecorded verbal thoughts of a public official.
The Right to Information Act defines information as material held in any form. This includes tangible items like logbooks, contracts, e-mails, and physical models. However, for something to be considered information, it must be recorded or held by the authority. Therefore, the unrecorded verbal thoughts or undocumented opinions of a public official do not fall within the statutory definition of accessible information.

48. (B) The information is exempt as trade secrets where disclosure would harm the competitive position of a third party.
The Right to Information Act protects the commercial interests of third parties. When a private entity submits sensitive trade secrets to a public authority like a bank, that information is generally exempt from disclosure. If releasing the data would harm the competitive position of the third party, the bank must refuse the request, unless a larger public interest warrants its disclosure.

49. (A) The State Government
The Right to Information Act empowers the State Government to oversee public authorities established or funded by it. This includes the power to constitute a State Information Commission through an official notification. The Commission serves as the appellate body for handling issues related to transparency and information access for all regulatory bodies

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17. (A) No, as all public sector banks owned by the Government are public authorities and must comply with the provisions.
All entities owned, controlled, or substantially financed by the government fall under the definition of a public authority. The Right to Information Act does not exempt institutions based on their date of establishment. Therefore, any newly formed public sector bank is legally required to fulfill the statutory obligations, including designating a Public Information Officer to facilitate citizen requests for available information.

18. (A) It provides absolute immunity to all public authorities against data disclosure requests.
The Right to Information Act is designed to promote transparency and contain corruption, rather than providing immunity to government bodies. It establishes a practical regime where citizens can access information to hold public authorities accountable. While certain exemptions exist for sensitive data, there is no provision for absolute immunity; the general rule is disclosure to ensure the government remains answerable.

19. (A) I, II, IV, and V
Specific sections regarding public authority obligations and rule-making powers became effective immediately upon enactment on June 15, 2005. The Freedom of Information Act, 2002 was repealed later on October 12, 2005. Furthermore, following legislative changes in 2019, the Act's jurisdiction was expanded to include the entire territory of India. The remaining provisions became effective 120 days after the initial enactment.

20. (A) 15 June 2005 — The Freedom of Information Act, 2002 was repealed
The Right to Information Act, 2005 was enacted on June 15, 2005, and certain sections regarding the designation of officers took effect immediately. However, the repeal of the Freedom of Information Act, 2002 occurred only on October 12, 2005, alongside the commencement of the remaining provisions. The Act was later extended to the whole of India starting from October 31, 2019.

21. (D) I, II, III, and IV
Under the Right to Information Act, every public authority is legally required to proactively publish detailed information about its functioning. This includes the organization's structure, duties, and the specific powers delegated to its officers. Additionally, authorities must disclose the internal norms used for discharging functions and all manuals, rules, or records used by employees in the performance of their official duties.

22. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Right to Information Act was specifically enacted to combat corruption by making government operations more transparent. By providing citizens with a legal right to access records, the Act ensures that public authorities and government instrumentalities remain accountable to the public. This transparency acts as a check on the misuse of power, directly supporting the primary objective of containing corrupt practices.

23. (D) The Freedom of Information Act, 2002
Upon the full implementation of the Right to Information Act on October 12, 2005, the previous legislation governing access to information was officially removed. Specifically, the Freedom of Information Act, 2002 was repealed to make way for the more robust and comprehensive RTI framework. This transition ensured a single, effective practical regime for citizens to secure information from public authorities.

24. (D) The section on non-applicability of the Act to specific organizations became effective on 12 October 2005.
Certain provisions of the Right to Information Act came into force immediately on June 15, 2005, including the constitution of the Central Information Commission. The Act was extended to the whole of India in 2019. However, the section regarding the non-applicability of the Act to certain organizations actually became effective on the date of enactment, June 15, 2005, rather than later.

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25. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Right to Information Act specifies that while certain sections take effect immediately upon enactment on June 15, 2005, others require a transition period. The remaining provisions of the Act were scheduled to come into force exactly 120 days after the date of enactment. Consequently, October 12, 2005, became the effective date for the full operationalization of the entire legal framework.

26. (C) I and III only
The Right to Information Act is designed to promote transparency and accountability in every public authority. It establishes a practical regime for citizens to secure information, thereby ensuring that government instrumentalities are subject to public scrutiny rather than being exempt from it. By facilitating access to records, the Act aims to contain corruption and keep the government accountable.

27. (A) The procedure followed in decision making, including channels of supervision and accountability.
The Right to Information Act requires public authorities to publish details about their internal operations to ensure transparency. This includes disclosing the formal procedures followed during the decision-making process. Authorities must also clearly outline the established channels of supervision and accountability. Such disclosures help citizens understand how public functions are discharged and ensure that officials can be held responsible.

28. (A) The whole of India
Originally, the Right to Information Act had specific geographical limitations regarding its applicability. However, following the Jammu and Kashmir Reorganisation Act of 2019, the scope was broadened. With effect from October 31, 2019, the Act extends to the entire territory of India. This ensures that citizens across all states and union territories have the same legal right to access public information.

29. (C) A wholly private corporation with no government financing
The Right to Information Act applies to public authorities, which are bodies established by the Constitution, law, or government notification. This includes government-owned banks and institutions substantially financed by the state. However, a purely private corporation that receives no government funding and is not controlled by the state does not fall under the statutory definition of a public authority for compliance.

30. (D) 31 October 2019 — Extension of the Act to the whole of India
The Right to Information Act underwent a significant jurisdictional change following the 2019 reorganization of Jammu and Kashmir. This amendment, which became effective on October 31, 2019, extended the provisions of the Act to the entire territory of India. Other events, such as the repeal of the 2002 Act and the activation of various provisions, occurred earlier in 2005.

31. (C) No, a public authority must publish all rules, regulations, instructions, and manuals used by employees for discharging functions.
Public authorities have a statutory duty to be transparent about their internal operations. The Right to Information Act mandates the proactive publication of all rules, regulations, instructions, and manuals that employees use to discharge their official functions. Therefore, a request for such manuals cannot be denied on the grounds that they are for internal use, as they form part of accessible information.

32. (B) No, as Section 2(c) defines Central Public Information Officer to include a Central Assistant Public Information Officer.
The definition of a Central Public Information Officer under the Right to Information Act is inclusive. According to Section 2(c), this term encompasses any Central Assistant Public Information Officer designated by the public authority. Consequently, an RTI application submitted to a CAPIO is legally valid, and the public authority cannot reject it based on the distinction between the two roles in the hierarchy.

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33. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Under the Right to Information Act, public authorities can protect certain information if its disclosure would harm their competitive position. This is because the definition of a "third party" includes the public authority itself. Therefore, a public sector bank can legitimately refuse to disclose its own trade secrets or commercial confidence information, provided there is no overriding larger public interest involved.

34. (A) P-2, Q-1, R-4, S-3
The Right to Information Act defines information broadly to include various formats. Electronic correspondence such as e-mails and data material held in any electronic form are covered. Official directives like circulars and orders are also included. Furthermore, information regarding private bodies that a public authority can legally access under any existing law is considered accessible information under the provisions of the Act.

35. (A) It depends on whether the public authority is established, constituted, owned, controlled, or substantially financed by funds provided directly or indirectly by the Central or State Government respectively.
The determination of whether the Central or State Government is the "Appropriate Government" for a public authority depends on the entity's origin and funding. This status is based on whether the authority was established, owned, controlled, or substantially financed by the respective government. This direct or indirect relationship defines the jurisdictional oversight for the purposes of the Right to Information Act.

36. (A) No, as Section 2(f) explicitly includes e-mails and opinions in the statutory definition of information.
Section 2(f) of the Right to Information Act provides an expansive definition of what constitutes "information." It specifically includes memos, e-mails, opinions, and advices, regardless of whether they are held in physical or electronic form. Therefore, a public sector bank cannot refuse to provide copies of e-mails or internal expert opinions by claiming they do not fall under the legal definition.

37. (A) The political affiliations of its top executives.
The Right to Information Act requires public authorities to publish organizational details to ensure transparency. Mandatory disclosures include the powers of officers, the norms for discharging functions, and the specific procedures followed in decision-making. However, the personal political affiliations of executives are not part of the statutory requirements for proactive publication, as they are unrelated to the official functioning of the authority.

38. (D) The State Government, as the authority is established by a law made by the State Legislature.
Under the Right to Information Act, the "Appropriate Government" is defined based on the authority that established or controls the entity. When a public authority is created by a law passed by a State Legislature, the State Government is considered the appropriate government. This designation ensures that the relevant state-level administration provides the necessary oversight and regulatory framework for that entity.

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39. (D) I, II, III, and IV
The definition of information under the Right to Information Act is very comprehensive. It encompasses various types of material such as press releases, circulars, logbooks, and contracts. Furthermore, physical items like samples and models are included, along with any data material held in electronic form. This broad scope ensures that citizens can access a wide range of records to ensure transparency.

40. (D) No, the Act exempts personal information having no public relation or causing an unwarranted invasion of privacy.
The Right to Information Act balances the right to know with the right to privacy. Personal information that has no connection to any public activity or interest is generally exempt from disclosure. If releasing such information would result in an unwarranted invasion of an individual's privacy, the request is denied. This protection applies even to employees of public authorities for their private matters.

41. (D) I, II, III, IV, and V
Under the Act, "information" includes any material in any form. This covers press releases,

correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2017

63. Under Section 2(h), the definition of 'Public authority' includes which of the following entities?
I. A body owned by the appropriate Government
II. A body controlled by the appropriate Government
III. A body substantially financed by the appropriate Government
IV. A Non-Government organization substantially financed, directly by funds provided by the appropriate Government
V. A Non-Government organization substantially financed, indirectly by funds provided by the appropriate Government
Which combination correctly reflects the inclusions?
(A) I, II, and III only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

May/June 2008

64. Arrange the following terms in the chronological sequence of the Sections in which they are defined under the Right to Information Act (from Section 2a to 2f):
I. Central Information Commission
II. Appropriate Government
III. Information
IV. Central Public Information Officer
(A) I, II, IV, III
(B) II, I, IV, III
(C) II, IV, I, III
(D) IV, I, II, III

Oct/Nov 2013

65. According to Section 2(h) of the Right to Information Act, which of the following perfectly defines a 'Public authority'?
(A) Any non-governmental organization functioning within the territory of India
(B) Any private commercial bank operating with foreign direct investment
(C) Any authority or body of self-government established by the Constitution, Parliament, or appropriate Government.
(D) Any international body having an advisory office in India

May/June 2015

66. Which of the following actions is NOT explicitly included within the definition of the 'Right to information' under Section 2(j)?
(A) Inspection of physical work, official documents, and records.
(B) Compelling a public authority to create subjective summaries of history.
(C) Taking certified material samples from a public construction site.
(D) Obtaining information in the form of digitized video cassettes.

Oct/Nov 2012

67. A citizen files an RTI application with an institution that was established by a specific law passed by the Parliament of India. The institution claims it is autonomous and hence not a public authority. Is this claim legally tenable?
(A) Yes, because institutional autonomy grants absolute immunity from the provisions of the RTI Act.
(B) Yes, provided the institution can prove it is not directly funded by the Central Government budget.
(C) No, as any authority or body of self-government established by law made by Parliament is a public authority.
(D) No, but the citizen must first provide proof that the institution receives state funding for its operations.

May/June 2011

68. Given below are two statements: one is labelled as Assertion (A) and the other is labelled as Reason (R).
Assertion (A): A Non-Government organization (NGO) can be compelled to provide information under the Right to Information Act.
Reason (R): Any NGO substantially financed, directly or indirectly by funds provided by the appropriate Government falls under the definition of a public authority.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

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and departments under the jurisdiction of that specific State Government.

50. (A) I and II only
Under Section 2(c) of the Act, the Central Public Information Officer is the person designated by a public authority to handle information requests. This legal definition specifically includes any Central Assistant Public Information Officer. However, it does not include political figures like the Chief Minister of a State, as the role is an administrative designation within the framework of the authority.

51. (D) The logbooks and contracts must be provided as they are expressly included in the definition of 'Information'.
Section 2(f) of the Act provides a broad definition of information that includes various administrative records. Logbooks and contracts are specifically mentioned as types of material that a public authority holds. Therefore, an activist's request for these documents must be honored, as they are not excluded from disclosure simply for being routine logistical records, but are part of the accessible record.

52. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
One of the primary motivations for enacting the Right to Information Act was to curb corrupt practices within the government. By granting citizens the right to access information, the Act ensures that public authorities remain transparent and accountable. This systematic access to records allows the governed to monitor government activities, which directly serves the objective of promoting integrity and containing corruption.

53. (C) The Central Government
According to Section 2(a) of the Act, the "Appropriate Government" for authorities related to Union Territories is the Central Government. This applies to any public authority that is established, owned, controlled, or substantially financed by the Union Territory Administration. Because Union Territories are directly administered by the Union, the Central Government holds the regulatory and oversight authority for these specific entities.

54. (D) I, II, III, IV, and V
The Right to Information Act defines "information" to include all forms of material held by public authorities. This encompasses internal memos, e-mails, official reports, and recorded opinions. Crucially, it also includes information about private bodies that a public authority can legally obtain under any other law. This comprehensive definition ensures that most records relevant to public functioning are accessible to citizens.

55. (A) The Central Government
The status of an "Appropriate Government" is determined by the source of funding or control. For any public authority or substantially financed NGO under a Union Territory Administration, the Central Government is designated as the appropriate government. This is because the administrative and financial framework of a Union Territory falls under the direct jurisdiction of the Central Government according to the Act.

56. (B) I and III only
Disclosure of trade secrets is exempt if it causes competitive harm, but this can be overridden by a larger public interest. Public authorities like banks can also use this exemption to protect their own commercial interests. However, the exemption for personal information is not absolute; even if it appears to invade privacy, it may still be disclosed if public interest warrants.

57. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Citizens can access information regarding private bodies through the Right to Information Act if that information is held by a public authority. The statutory definition of information includes data relating to private entities that a public authority is legally empowered to access under any current law. Thus, the public authority acts as a gateway for citizens to reach certain private information.

58. (A) Yes, as the "third party" definition includes public authorities, allowing banks to protect their own competitive position.
Under the Right to Information Act, a public authority is permitted to protect its own commercial interests. The definition of a "third party" specifically includes the public authority

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person must be provided within five days.

Which of the above statement(s) is/are correct?

(A) I, II, and IV
(B) II, III, and IV
(C) I, II, and III
(D) I, III, and IV

Oct/Nov 2015

29. Consider the following statements regarding information exempt from disclosure:

I. Information whose disclosure would prejudicially affect the sovereignty and integrity of India is exempt.
II. Information expressly forbidden to be published by any court of law is exempt.
III. Information that would cause a breach of privilege of Parliament or the State Legislature must still be disclosed if the applicant is a media personnel.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2013

30. Consider the following statements regarding the notice given to an applicant when allowing partial access to a record:

I. That only part of the record requested is being provided after severance of exempt information.
II. The reasons for the decision, including findings on material questions of fact.
III. The name and designation of the person giving the decision.
IV. The details of the fees calculated and the amount to be deposited.
V. His or her rights with respect to review of the decision regarding non-disclosure of part of the information.

Which of the above statement(s) is/are correct?

(A) I, II, III, and V only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2021

31. Consider the following circumstances under which the Commission may recommend taking disciplinary action against a Central Public Information Officer:

I. With mala fide intent denied the request for information.
II. Knowingly given incorrect, incomplete, or misleading information.
III. Destroyed information which was the subject of the request.
IV. Transferred the request to another public authority within five days.

Which of the above statement(s) is/are correct?

(A) I, II, and III
(B) II, III, and IV
(C) I, III, and IV
(D) I, II, and IV

May/June 2024

32. Consider the following items that may be included in the notice given to an applicant when allowing partial access:

I. The reasons for the decision, including any findings on any material question of fact.
II. The amount of fee charged or the form of access provided.
III. The complete, unredacted version of the severed portion for comparative verification.
IV. The details of the fees calculated by the PIO and the amount the applicant is required to deposit.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) I, III, and IV only
(D) II, III, and IV only

Oct/Nov 2008

33. The Central Information Commission (or State Information Commission) is empowered to inquire into complaints from any person for all the following reasons, EXCEPT:

(A) Who has been unable to submit a request because a CPIO was not appointed.
(B) Who wishes to seek a judicial review of a Supreme Court judgment.
(C) Who has not been given a response to a request for information.
(D) Who feels the information provided is incomplete, misleading, or false.

May/June 2006

34. Read the following scenario and answer the question that follows:

An applicant seeks a copy of an environmental clearance report from a public authority. The

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historical analyses, that do not already exist in their records at the time of request.

67. (C) No, as any authority or body of self-government established by law made by Parliament is a public authority.
Institutional autonomy does not grant an entity exemption from the Right to Information Act. According to the statutory definition, any authority or body established by a law made by Parliament is automatically considered a public authority. Therefore, the institution's claim is not legally tenable, and it must comply with transparency requirements regardless of its internal autonomous status or specific funding details.

68. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
A Non-Governmental Organization can be legally required to provide information if it falls under the definition of a public authority. This occurs when the NGO is substantially financed by funds provided by the government, whether those funds are given directly or indirectly. This provision ensures that public money is accounted for, even when it is managed by private, non-governmental entities.

69. (D) Information cannot be provided via electronic modes like diskettes or tapes under any legal circumstances.
Section 2(j) of the Right to Information Act specifically allows for several ways to access data. Citizens have the right to inspect work and documents, take notes or extracts, and receive information in various formats. Contrary to the incorrect statement, the Act explicitly permits providing information through electronic modes, including diskettes, tapes, and other digital devices, to facilitate easier access.

70. (D) I, II, III, and IV
The "Right to Information" encompasses a broad range of actions that citizens can take to access records. This includes the physical inspection of work and documents, and taking notes or certified copies. Additionally, citizens can request certified samples of material and obtain information in electronic formats like diskettes, tapes, or video cassettes. These diverse modes ensure that the right is effective.

71. (D) I, II, III, and IV
An entity qualifies as a public authority under the Right to Information Act if it is established through specific legal channels. These include creation by the Constitution, or through laws passed by Parliament or a State Legislature. Furthermore, any body established by a notification issued or an order made by the appropriate government is also considered a public authority subject to the Act.

72. (D) The notification must be issued or order made by the appropriate Government.
For a body to be considered a public authority via a notification or order, that directive must originate from the "appropriate government." This means either the Central or State Government, depending on the jurisdiction. The size of the workforce or the amount of revenue generated are not the determining factors; the legal source of the establishment is the defining criterion under the Act.

73. (B) By obtaining the information in the form of diskettes, tapes, video cassettes, electronic modes, or through printouts.
Section 2(j) of the Act outlines how citizens can access information stored on computers or other digital devices. The information can be provided in various electronic formats, such as diskettes, tapes, and video cassettes. Additionally, citizens are entitled to receive physical printouts of the digital data. These methods provide a practical way for the public to obtain information without needing direct server access.

74. (A) P-3, Q-4, R-1, S-2
The Right to Information Act links specific actions to the type of material being accessed. Citizens can perform a physical inspection of work and records. They are entitled to take certified copies of documents. For physical projects, they can take certified samples of materials used. Finally, for data held in computers or other electronic devices, information is often provided in the form of printouts.

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Officer officially transfers the request to another relevant public authority.

May/June 2007

6. Under the context of the Right to Information framework, what is the precise definition of a "Third party"?
(A) A non-governmental organization acting as an intermediary between the citizen and the state.
(B) A person other than the citizen making a request for information, and includes a public authority.
(C) Any foreign entity or international organization requesting information from a domestic public authority.
(D) An independent appellate body constituted to resolve disputes between the citizen and the public authority.

Oct/Nov 2025

7. What is the primary requirement for a public authority regarding the maintenance of its records to facilitate the right to information?
(A) Records must be maintained only in physical formats to ensure long-term authenticity and protection against potential cyber security threats.
(B) Records must be catalogued, indexed, and computerized within a reasonable time subject to local resource availability and infrastructure.
(C) Records must be immediately and completely digitized before being decentralized at the local panchayat level for direct public access.
(D) Records must be primarily managed by certified third-party data centers to ensure uninterrupted and secure access for the general public.

May/June 2012

8. Match the type of fee/charge with its corresponding rate as per the rules:
List I: (Type of fee/charge)
P. Application fee
Q. Fee for each page in A-4 or A-3 size paper created or copied
R. Inspection of records for the first hour
S. Fee for inspection of records after the first hour
List II: (Rate)
1. No fee
2. Rupees ten
3. Rupees five for each fifteen minutes or fraction thereof
4. Rupees two
(A) P-2, Q-4, R-1, S-3
(B) P-4, Q-2, R-3, S-1
(C) P-2, Q-1, R-4, S-3
(D) P-3, Q-4, R-1, S-2

Oct/Nov 2014

9. Which of the following statements about exemptions from disclosure is incorrect?
(A) Information received in confidence from a foreign Government is exempt from disclosure.
(B) Commercial confidence and trade secrets must be disclosed immediately if the applicant is a commercial competitor.
(C) Information available to a person in his fiduciary relationship is exempt, unless the competent authority is satisfied that the larger public interest warrants disclosure.
(D) Information which would impede the process of investigation or apprehension of offenders is exempt.

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May/June 2019

10. If the information requested is held by or its subject matter is closely connected with the function of another public authority, within what timeframe must the PIO transfer the request to that other public authority?
(A) Three days
(B) Five days
(C) Seven days
(D) Ten days

Oct/Nov 2006

11. Arrange the following steps in the chronological order of the RTI request and appeal process:
I. Filing of a second appeal before the Central Information Commission.
II. Filing of an initial request for information with the CPIO.
III. Disposal of the first appeal by the senior-ranking appellate authority.
IV. Filing of a first appeal due to non-receipt of a decision within thirty days.
(A) II, III, IV, I
(B) II, IV, III, I
(C) IV, II, III, I

CHAPTER 32

Right to Information and Obligations of Public Authorities

Oct/Nov 2023

1. Every public authority must publish all the following details within the stipulated time, EXCEPT:
(A) The procedure followed in the decision-making process, including channels of supervision and accountability.
(B) A directory of its officers and employees.
(C) Particulars of recipients of concessions, permits, or authorizations granted by it.
(D) The specific internal passwords and encryption keys used for securing electronic records.

May/June 2016

2. A Central Public Information Officer intends to disclose information supplied by a third party. The third party may make submissions regarding this disclosure. Which of the following is NOT true regarding this process?
(A) The notice to the third party must be given within five days from the receipt of the request.
(B) The third party may make submissions either in writing or orally.
(C) The third party has fifteen days from the date of receipt of the notice to make submissions.
(D) The notice given to the third party must state that they are entitled to prefer an appeal against the decision to disclose the information.

Oct/Nov 2009

3. Which of the following statements accurately describes the obligations of public authorities regarding the publication of remuneration details?
(A) They must publish the annual remuneration received by each officer while specifically excluding any existing systems of compensation.
(B) They must publish only the consolidated annual payroll expense of the entire organization to maintain general financial transparency.
(C) They must publish the monthly remuneration of each officer and employee, including the details of the compensation system.
(D) They are completely exempt from publishing remuneration details of any employees in order to protect individual financial privacy.

May/June 2023

4. Consider the following statements regarding the disclosure of personal information:
I. Personal information which has no relationship to any public activity or interest, or which would cause unwarranted invasion of privacy, is generally exempt from disclosure.
II. Information which cannot be denied to the Parliament or a State Legislature shall not be denied to any person.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2018

5. Identify the correct pair regarding the communication required when a request for information has been rejected by the PIO:
(A) Rejection communication - The specific reasons for the rejection without providing details regarding further appeal procedures.
(B) Rejection communication - The reasons for rejection, the period for appeal, and the particulars of the appellate authority.
(C) Deemed refusal - When a Public Information Officer provides only partial or redacted access to the requested information.
(D) Deemed refusal - When a Public Information

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(A) The CPIO is incorrect; decisions and reasons are made public after the decision is taken and the matter is complete.
(B) The CPIO is correct; cabinet papers are absolutely protected and can never be disclosed to the public under any circumstances.
(C) The CPIO is correct; disclosure is only permitted if the journalist obtains a specific court order overriding the exemption.
(D) The CPIO is incorrect; cabinet papers must be disclosed even while deliberations are ongoing to ensure maximum transparency.

May/June 2014

18. Consider the following statements regarding the procedure for obtaining information:
I. A Public Information Officer (PIO) shall deal with requests from persons seeking information.
II. Where a request cannot be made in writing, the PIO shall render reasonable assistance to the person to reduce the same in writing.
III. A PIO is strictly prohibited from seeking the assistance of any other officer for the proper discharge of his/her duties.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2007

19. Under what specific circumstance can a request for providing access to information be outrightly rejected concerning copyright?
(A) If providing access would involve an infringement of a copyright currently subsisting in the State itself.
(B) If the information is subject to a generic open-source license that allows for free public distribution.
(C) If the information requested is published in a widely circulated public newspaper or on a public website.
(D) If providing access would involve an infringement of a copyright subsisting in a person other than the State.

May/June 2025

20. Regarding the treatment of third-party information, which of the following statements is incorrect?
(A) The PIO is not required to take the third party's representation into consideration while making a decision.
(B) If the information sought has been supplied by a third party and treated as confidential by that third party, the PIO must give written notice to the third party within five days of receiving the request.
(C) The third party must be given a chance to make a representation before the PIO within ten days from the date of receipt of the notice.
(D) Except in the case of protected trade or commercial secrets, disclosure of third-party information may be allowed if public interest outweighs any possible harm.

Oct/Nov 2019

21. According to the Right to Information framework, within how many days must a first appeal be disposed of from the date of receipt, assuming no extended time is required?
(A) Fifteen days
(B) Thirty days
(C) Forty-five days
(D) Ninety days

May/June 2009

22. For the purposes of the obligations under the Right to Information framework, what does the term "disseminated" strictly imply?
(A) Sharing classified or sensitive information exclusively with authorized inter-departmental government personnel for official purposes.
(B) Making information known to the public through notice boards, newspapers, announcements, broadcasts, the internet, or other means.
(C) Storing official records in an encrypted electronic format to prevent any unauthorized public exposure or data breaches.
(D) The systematic physical transfer of all official records to the National Archives for the purpose of long-term preservation.

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(D) II, IV, I, III

May/June 2021

12. Consider the following statements regarding the dissemination of materials by a public authority:

I. All materials must be disseminated taking into consideration cost effectiveness, local language, and the most effective method of communication in that local area.

II. Dissemination of information is restricted exclusively to internet-based platforms to ensure uniform digital access across the country.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2010

13. Read the following scenario and answer the question that follows:

An applicant files an RTI request and receives an intimation from the PIO on Day 15 to pay additional fees for document copies. The applicant makes the payment on Day 25. How is this intervening period treated when calculating the mandatory thirty-day timeframe for disposing of the request?

(A) The period between dispatch of intimation and actual payment is excluded from the thirty-day timeframe.
(B) The period of ten days is added as a formal penalty to the limit, extending the total to forty days.
(C) The thirty-day timeline is reset entirely from the date the actual payment is received by the office.
(D) The intervening period is strictly counted within the thirty days, obligating the PIO to respond faster.

May/June 2005

14. Under what circumstances is a Public Information Officer (PIO) permitted to provide information in a form different from what was sought by the applicant?

(A) When providing information in the sought form would require the officer to seek technical assistance from another department.
(B) When the applicant has failed to provide a specific or valid legal reason for seeking the particular set of information.
(C) When it would disproportionately divert resources or be detrimental to the safety or preservation of the record.
(D) When the requested information involves details that are held across multiple distinct and separate public authorities.

Oct/Nov 2022

15. Regarding the provision of information relating to occurrences, events, or matters that took place twenty years before the date of the request, consider which of the following exemptions continue to apply:

I. Information prejudicially affecting the sovereignty and integrity of India, security, strategic interests.

II. Information causing a breach of privilege of Parliament or the State Legislature.

III. Cabinet papers including records of deliberations of the Council of Ministers.

IV. Information received in confidence from a foreign Government.

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, III, and IV only

May/June 2018

16. According to the Right to Information Act, within how many days from the enactment of the Act is a public authority required to publish the particulars of its organization, functions, and duties?

(A) Sixty days
(B) Ninety days
(C) One hundred and twenty days
(D) One hundred and eighty days

Oct/Nov 2016

17. Read the following scenario regarding disclosure and answer the question:

A journalist files an RTI application seeking access to specific cabinet papers related to a finalized policy decision. The matter is completely over and the policy has been formally implemented. The Central Public Information Officer (CPIO) rejects the application, citing that cabinet papers are inherently exempt from disclosure. Evaluate the CPIO's decision.

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75. (A) Established exclusively by a resolution of a private corporate board — Considered a valid mode of establishment.
Established exclusively by a resolution of a private corporate board — Not considered a valid mode of establishment. A valid mode of establishing a public authority must involve a legal or governmental process. This includes establishment via the Constitution, Parliamentary laws, State Legislature laws, or government notifications. A body created solely through a private corporate board resolution does not meet the statutory criteria for being a public authority, as it lacks the necessary constitutional or governmental origin required by the Act.

76. (D) Section 2(j)
The definitions of critical terms are found in Section 2 of the Right to Information Act. While Section 2(a) defines the appropriate government and 2(h) defines a public authority, the term "Right to information" is specifically defined in Section 2(j). This section is vital as it outlines the various ways and forms in which citizens can exercise their right to access information.

77. (C) Both I and II
The "Right to Information" refers to the access citizens have to information held by or under the control of public authorities. This right is not limited to just reading documents; it also specifically includes the right to take certified samples of material. This ensures that the public can verify the quality of physical resources and materials used in government projects.

78. (A) P-3, Q-1, R-4, S-2
Different entities qualify as public authorities for various legal reasons. The Election Commission is established by the Constitution. SEBI is created by a law of Parliament. State Pollution Control Boards are typically established by State Legislature laws. Finally, an NGO qualifies if it is substantially financed by government funds. These distinct origins all bring the entities under the jurisdiction of the Act.

79. (D) I, II, and III
The definition of a public authority in the Act recognizes multiple sources of establishment. A body can be created by the Constitution itself, or through legislation enacted by either the Parliament or a State Legislature. All authorities established through these formal legal and constitutional mechanisms are subject to the provisions of the Act, ensuring transparency across different levels and branches of governance.

80. (D) I, II, III, IV, and V
Section 2(j) provides a detailed list of the forms in which a citizen can receive information. This includes formats like diskettes, floppies, and tapes, as well as video cassettes. It also specifically mentions printouts of data stored in computers or other electronic devices. This comprehensive list ensures that the Right to Information remains adaptable to different technological methods of storing records.

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Oct/Nov 2011

23. A citizen submits an oral request for information at a public office because he is unable to read or write. The Public Information Officer (PIO) refuses to accept the request, stating that the Right to Information framework strictly mandates all requests to be submitted in a pre-typed written format. Based on the procedural guidelines, how should this situation have been handled?

(A) The PIO's action is correct as oral requests have no legal validity under the framework.
(B) The PIO must direct the citizen to hire a legal representative to draft the request.
(C) The PIO must accept the oral request as is and process it without requiring any written documentation.
(D) The PIO is obligated to render reasonable assistance to the citizen to reduce the oral request into writing.

May/June 2010

24. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): Decisions of the Council of Ministers, the reasons thereof, and the material on the basis of which the decisions were taken are perpetually exempt from disclosure.

Reason (R): Cabinet papers, including records of deliberations of the Council of Ministers, Secretaries, and other officers, are categorized as exempt information.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2024

25. Which of the following modes of payment is NOT explicitly listed as an acceptable method for paying the initial application fee for an RTI request?

(A) Cash against proper receipt
(B) Credit card or debit card
(C) Demand draft
(D) Banker's cheque

May/June 2017

26. What is the primary objective of a public authority taking steps to provide as much information suo-motu to the public at regular intervals through various means of communication?

(A) To eventually eliminate the administrative requirement for appointing Public Information Officers across various internal units.
(B) To commercially monetize the various data sets held by the government through the use of specialized public internet portals.
(C) To transfer the ongoing administrative and financial burden of data maintenance and verification directly to the citizens.
(D) To ensure that the public have minimum resort to the use of the Right to Information Act to obtain required information.

Oct/Nov 2005

27. Which of the following accurately describes the relationship between the Right to Information framework and the Official Secrets Act, 1923?

(A) A public authority may allow access to information despite the Official Secrets Act, if public interest in disclosure outweighs the harm to the protected interests.
(B) The Official Secrets Act strictly supersedes the RTI framework, prohibiting the disclosure of any protected information irrespective of public interest.
(C) The RTI framework completely repeals the Official Secrets Act, 1923, making all classified government documents publicly accessible.
(D) Only a High Court judge can authorize the release of information protected under the Official Secrets Act.

NODIA

May/June 2020

28. Consider the following statements regarding the timeline for the disposal of an RTI request:

I. The PIO must provide the information or reject the request as expeditiously as possible.
II. In standard cases, the request must be disposed of within thirty days of the receipt of the request.
III. Where the information concerns the life or liberty of a person, it must be provided within forty-eight hours.
IV. Information regarding the life or liberty of a

itself. Therefore, if disclosing the details of a new financial product would harm its competitive position, a public sector bank can validly claim an exemption, provided that no overriding public interest requires the disclosure.

59. (C) Records, memos, e-mails, opinions, reports, models, and data material stored in any form, including electronic media.
Section 2(f) provides a very broad definition of information to ensure maximum transparency. It includes traditional records and memos as well as modern digital communications like e-mails. The definition also covers subjective material like opinions and advices, along with physical items like models. This ensures that any material held by a public authority, regardless of its storage medium, is potentially accessible.

60. (B) 'Central Public Information Officer' excludes a Central Assistant Public Information Officer.
The Right to Information Act provides clear definitions for various organizational roles. The term "Central Public Information Officer" is defined in a way that intentionally includes the "Central Assistant Public Information Officer." This ensures that citizens can submit requests through either officer. Statements regarding the constitution of Central and State Information Commissions and the nature of the appropriate government are also legally accurate.

61. (C) To ensure accountability for entities substantially financed by funds provided by the appropriate Government.
The Right to Information Act includes certain Non-Governmental Organizations within the definition of a public authority to ensure accountability for public funds. When an NGO is substantially financed, either directly or indirectly, by the government, it must operate with transparency. This inclusion prevents entities from using significant amounts of public money without being subject to the same disclosure standards as government departments.

62. (A) I and II only
The State Information Commission is a body constituted by the State Government via official notification, as defined in Section 2(k) of the Act. Its role is to handle appeals and ensure the Act's implementation at the state level. However, the Commission does not have the legislative power to independently amend the provisions of the RTI Act; that power remains with the Parliament.

63. (D) I, II, III, IV, and V
The definition of a "public authority" is extensive. It includes any body owned, controlled, or substantially financed by the appropriate government. Furthermore, it explicitly covers Non-Governmental Organizations that receive substantial financing from government funds, whether that support is provided directly or indirectly. This broad scope ensures that transparency requirements apply to all entities that rely heavily on public resources or state control.

64. (B) II, I, IV, III
The definitions in Section 2 of the Right to Information Act follow an alphabetical order. Section 2(a) defines "Appropriate Government," followed by 2(b) for the "Central Information Commission." Section 2(c) then defines the "Central Public Information Officer." Finally, the definition of "Information" is found in Section 2(f). Understanding this sequence helps in navigating the legal structure of the Act's foundational terms.

65. (C) Any authority or body of self-government established by the Constitution, Parliament, or appropriate Government.
A "public authority" under Section 2(h) is defined by its mode of establishment. This includes any authority or body of self-government created by or under the Constitution, or by laws made by Parliament or a State Legislature. It also covers bodies established by government notifications. This definition focuses on the legal origin and funding of the entity rather than its specific activities.

66. (B) Compelling a public authority to create subjective summaries of history.
The "Right to Information" allows citizens to access existing records held by public authorities. This includes inspecting work, taking certified samples, and obtaining information in electronic formats or printouts. However, the Act does not require public authorities to create new information, such as subjective summaries or

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document consists of 150 pages on A-4 size paper. Assuming the standard application fee has already been paid, what is the additional charge the PIO will require the applicant to deposit for providing the copies?

(A) Rupees 150
(B) Rupees 300
(C) Rupees 750
(D) No charge is applicable for public interest documents.

Oct/Nov 2017

35. Identify the correct pair regarding the authority and final decision in cases of dispute over the 20-year disclosure rule:

(A) Determining the date for the 20-year period - Final decision by the Central Government, subject to appeals.
(B) Determining the date of computation for the 20-year period - Final decision made solely by the Chief Justice of India.
(C) Information relating to occurrences 20 years prior - Exclusively denied to Parliament and the State Legislatures.
(D) Information relating to occurrences 20 years prior - Absolutely no exemptions or restrictions apply under the Act.

May/June 2008

36. Match the authority/entity with their corresponding function or right:

List I: (Authority or Entity)
P. Central Information Commission
Q. First Appellate Authority
R. Third Party
S. Applicant

List II: (Function or Right)
1. Prefer an appeal against the decision to disclose confidential information
2. File a complaint for being given incomplete, misleading, or false information
3. Require the public authority to compensate the complainant for detriment suffered
4. Condone the delay in filing the first appeal if satisfied by sufficient reasons

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-2, Q-4, R-1, S-3

Oct/Nov 2013

37. Match the event with the prescribed timeline:

List I: (Event)
P. Supply of information concerning life or liberty
Q. Transfer of request to another public authority
R. Third party making submissions against disclosure
S. Filing of a second appeal before the Central Information Commission

List II: (Prescribed Timeline)
1. Five days
2. Ten days
3. Forty-eight hours
4. Ninety days

(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-3, R-4, S-2
(C) P-3, Q-2, R-1, S-4
(D) P-4, Q-1, R-3, S-2

May/June 2015

38. Match the exemption category with its corresponding description:

List I: (Exemption Category)
P. Endanger life or physical safety
Q. Impede process of investigation
R. Breach of privilege of Parliament
S. Fiduciary relationship

List II: (Description)
1. Section 8(1)(c)
2. Section 8(1)(e)
3. Section 8(1)(g)
4. Section 8(1)(h)

(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-3, S-4
(D) P-3, Q-1, R-4, S-2

Oct/Nov 2012

39. Read the following scenario regarding budget allocation and answer the question:

A citizen submits an RTI application asking for the budget allocated to a specific agency under a public authority, including proposed expenditures and reports on disbursements made. The PIO denies the request, stating this is internal financial data. Based on the obligations of public authorities, is the PIO's denial valid?

(A) Yes, budget allocation details are strictly classified as confidential commercial information under Section 8 of the Act.
(B) Yes, such information is considered fiduciary in nature and cannot be disclosed

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to the public without prior approval.
(C) No, but the citizen must pay a special financial data processing fee of Rs. 500 to the relevant public authority.
(D) No, every public authority must publish the budget allocated to its agencies, including plans and expenditures.

May/June 2011

40. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Information regarding commercial confidence and trade secrets is completely immune from disclosure under all circumstances.
Reason (R): The disclosure of such information may harm the competitive position of a third party, but it can be disclosed if the competent authority is satisfied that larger public interest warrants it.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2020

41. When deciding whether to allow access to information despite the exemptions permissible under the Right to Information framework and the Official Secrets Act, 1923, what is the crucial legal threshold the public authority must evaluate?
(A) Whether the applicant belongs to an officially accredited media organization or press body.
(B) Whether the public interest in disclosure outweighs the harm to the protected interests.
(C) Whether the information has been requested by at least ten different citizens within the month.
(D) Whether the disclosure will generate significant revenue for the relevant public authority.

May/June 2022

42. Consider the following orders that the Central Information Commission may pass in deciding an appeal:
I. Require the public authority to provide access to information in a particular form.
II. Require the public authority to appoint a Central Public Information Officer.
III. Require the public authority to compensate the complainant for any loss or detriment suffered.
IV. Impose any of the penalties provided under the Act.
V. Reject the appeal.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) III, IV, and V only
(C) I, II, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2023

43. If a Central Public Information Officer fails to give a decision on the request for information within the stipulated period of thirty or thirty-five days, what is the legal consequence of this inaction?
(A) The request is automatically transferred to the State Information Commission.
(B) The request shall be deemed to have been refused.
(C) The applicant is mandated to file a fresh application with an additional fee.
(D) The public authority is mandated to provide the information free of charge immediately without the applicant taking further steps.

May/June 2016

44. What defines "PIOs" (Public Information Officers) within the context of the obligations of public authorities?
(A) Independent auditors appointed by the Comptroller and Auditor General to oversee the accuracy of public records.
(B) Private contractors hired to digitalize and index government records to ensure easy access for the general public.
(C) Legal counsels representing public authorities in all proceedings before the Central Information Commission.
(D) Officers designated by public authorities in all administrative units to provide information to citizens under the Act.

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Oct/Nov 2009

45. Consider the following statements regarding obligations and exemptions under the Right to Information framework:

I. Public authorities must provide reasons for administrative or quasi-judicial decisions to affected persons.
II. Information received in confidence from a foreign government is exempt from disclosure.
III. Cabinet papers are permanently exempt, and the final decisions cannot be made public even after the matter is complete.
IV. Disclosure of third-party trade secrets is permitted if public interest outweighs potential harm.
V. A citizen requesting information must specify their detailed rationale for seeking it.

Which of the above statement(s) is/are correct?
(A) I, II, and IV only
(B) II, III, and V only
(C) I, III, and IV only
(D) I, II, IV, and V only

May/June 2023

46. Who is empowered to receive and inquire into a complaint from any person who has been required to pay a fee which he considers unreasonable?
(A) The District Magistrate of the respective jurisdiction where the specific public authority is located.
(B) The Central Information Commission or the State Information Commission.
(C) The designated Appellate Authority within the same public authority where the request was filed.
(D) The Central Assistant Public Information Officer responsible for receiving the initial application.

Oct/Nov 2018

47. Consider the following categories of information a public authority is required to publish:

I. The norms set by it for the discharge of its functions.
II. A statement of the categories of documents that are held by it or under its control.
III. The manner of execution of subsidy programs, including amounts allocated.
IV. The private home addresses of all its employees.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

May/June 2007

48. Which of the following statements regarding the imposition of penalties by the Central Information Commission is incorrect?
(A) The Commission has the power to impose a penalty of two hundred and fifty rupees for each day till the information is furnished.
(B) The Commission can impose a penalty on the CPIO without giving an opportunity to the parties of being heard.
(C) The total amount of the penalty imposed shall not exceed twenty-five thousand rupees.
(D) The penalty is applicable if the CPIO obstructed in furnishing the information.

Oct/Nov 2025

49. Why does the Right to Information Act stipulate that information concerning the life or liberty of a person must be provided within forty-eight hours?
(A) To ensure rapid response in situations where human safety, freedom, or fundamental rights are under threat.
(B) Because it typically requires minimal administrative resources to gather and verify such basic information.
(C) Because third-party consultations are strictly prohibited by law in cases specifically involving life or liberty.
(D) To accommodate the operational hours and reporting cycles of various international human rights organizations.

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May/June 2012

50. Arrange the following events in the chronological order of handling third-party information disclosure:

I. Third party makes a submission in writing or orally.
II. PIO gives a written notice to the third party of the intention to disclose.
III. PIO receives an RTI request involving confidential information supplied by a third party.

ANSWERS

1. (D) The specific internal passwords and encryption keys used for securing electronic records.
Public authorities are required to maintain transparency by publishing procedural details, employee directories, and concession recipient particulars. Security-sensitive information like internal passwords and encryption keys are excluded from these proactive disclosure requirements to protect electronic record integrity. Such sensitive technical data is typically exempted to prevent unauthorized access and potential security breaches within government systems.

2. (C) The third party has fifteen days from the date of receipt of the notice to make submissions.
When a Public Information Officer intends to disclose third-party information, specific procedural timelines apply to ensure fairness. The third party must be notified within five days and is permitted to make submissions within ten days of receiving the notice. Providing a fifteen-day window for such submissions contradicts the statutory timeline established for managing third-party confidentiality concerns.

3. (C) They must publish the monthly remuneration of each officer and employee, including the details of the compensation system.
Public authorities carry a mandatory obligation to maintain financial transparency regarding personnel costs. This includes publishing the monthly remuneration received by every officer and employee within the organization. Furthermore, the publication must detail the specific system of compensation applied to these individuals. This practice ensures public accountability regarding the utilization of state funds for administrative salaries.

4. (C) Both I and II
Information that qualifies as personal and lacks any connection to public activities or interest is generally protected from disclosure to prevent unwarranted privacy invasions. Additionally, a fundamental principle of transparency dictates that information which cannot be withheld from the Parliament or State Legislatures must be made available to any citizen requesting it under the established legal framework.

5. (B) Rejection communication - The reasons for rejection, the period for appeal, and the particulars of the appellate authority.
Upon rejecting a request for information, the Public Information Officer must provide a formal communication containing specific details. This mandatory notice includes the precise reasons for rejection, the designated timeframe for filing an appeal, and the particulars of the relevant appellate authority. Such requirements protect the applicant's rights by facilitating a clear pathway for seeking legal redress or review.

6. (B) A person other than the citizen making a request for information, and includes a public authority.
Within the legal framework of information rights, a third party is defined as any person other than the citizen who has formally requested the information. This definition is broad enough to encompass other public authorities. The inclusion of these entities ensures that confidential information provided by external sources or different government branches is handled with appropriate procedural safeguards.

7. (B) Records must be catalogued, indexed, and computerized within a reasonable time subject to local resource availability and infrastructure.
Public authorities are required to maintain records in a manner that facilitates easy access to information for all citizens. This involves cataloguing and indexing documents systematically. Furthermore, there is an obligation to ensure that all records appropriate for computerization are digitized and connected through a network within a reasonable timeframe, subject to the availability of local resources.

8. (A) P-2, Q-4, R-1, S-3
The statutory fee structure for obtaining information involves specific rates for different

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(D) Information which has been expressly forbidden to be published by any court of law or tribunal in the country.

May/June 2005

56. Mr. Sharma submitted an RTI request to a public authority. He received a decision from the CPIO on Day 25, which he found unsatisfactory. Due to a severe medical emergency requiring hospitalization, he could not file his first appeal within the standard 30-day window following the receipt of the decision. He filed it on the 45th day with medical certificates. What is the appropriate course of action for the appellate authority?

(A) The appellate authority can condone the delay if satisfied that the appellant was prevented by sufficient reasons.

(B) The appellate authority must strictly reject the appeal as the 30-day statutory period has already elapsed in this case.

(C) The appellate authority must forward the appeal directly to the Central Information Commission due to the time delay.

(D) The appellate authority must impose a penalty on the applicant for the delayed submission before processing the appeal.

Oct/Nov 2022

57. Consider the following statements regarding the transfer of an RTI application:

I. If an application is transferred to another public authority, the transfer must be done within five days from the date of receipt.

II. Following the transfer, the transferring PIO has no obligation to inform the applicant about the transfer.

Which of the above statement(s) is/are correct?

(A) Only I

(B) Only II

(C) Both I and II

(D) Neither I nor II

May/June 2018

58. Read the following scenario regarding an investigation and answer the question:

An applicant files an RTI request seeking information related to an ongoing police investigation into a high-profile economic offense. The CPIO rejects the application on the grounds that disclosure would impede the process of investigation and apprehension of offenders. Is the CPIO's decision justified under the provisions of the Act?

(A) Yes, information which would impede investigation or apprehension of offenders is expressly exempt from disclosure.

(B) No, economic offenses do not qualify for exemption as only cases threatening physical safety are considered exempt.

(C) No, all ongoing investigations must be made transparent to the public to prevent potential corruption or delays.

(D) Yes, but only if the information is concurrently classified under the provisions of the Official Secrets Act.

Oct/Nov 2016

59. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.

Assertion (A): A second appeal against the decision of the appellate authority must be preferred before the Central Information Commission within ninety days from the date on which the decision should have been made or was actually received.

Reason (R): The first appellate authority's decision is completely immune from any further challenge to ensure quick closure of requests.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(C) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

May/June 2014

60. Consider the following statements regarding the partial access to records:

I. Severance of the record refers to separating the exempt information from the non-exempt information.

II. When partial access is granted, the PIO is not required to communicate the name and designation of the person giving the decision.

III. The applicant retains the right to review the decision regarding non-disclosure of part of the information.

Which of the above statement(s) is/are correct?

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(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

Oct/Nov 2007

61. Consider the following information that the Central Public Information Officer must communicate to an applicant regarding the rejection of a request:
I. The reasons for such rejection.
II. The personal contact details and residential address of the PIO.
III. The particulars of the appellate authority.
IV. The period within which an appeal against such rejection may be preferred.
Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, and IV only

May/June 2025

62. Why does the framework stipulate that the CPIO must provide reasons for the rejection of a request, the period within which an appeal may be preferred, and the particulars of the appellate authority?
(A) To ensure the applicant's right to natural justice and facilitate a mechanism for redressal.
(B) To increase the administrative paperwork burden on the CPIO to discourage frequent rejections of requests.
(C) To strictly comply with all the penal code requirements for civil disputes involving public authorities.
(D) To enable the accounts officer to process the refund of the application fee in cases of valid rejections.

Oct/Nov 2019

63. The Central Information Commission is empowered to recommend disciplinary action against a CPIO under the applicable service rules if it is satisfied that the CPIO committed any of the following acts, EXCEPT:
(A) Provided the information on the 28th day after receiving the application.
(B) Knowingly given incorrect, incomplete, or misleading information.
(C) Destroyed information which was the subject of the request.
(D) Without reasonable cause persistently failed to receive an application for information.

May/June 2009

64. Identify the incorrect pair regarding exemptions from disclosure:
(A) Information already explicitly published by a court of law - Exempt from disclosure.
(B) Sovereignty and integrity of India - Specifically exempt from disclosure under the Act.
(C) Impeding the process of investigation - Specifically exempt from disclosure under the Act.
(D) Confidence from foreign Government - Specifically exempt from disclosure under the Act.

Oct/Nov 2011

65. Read the following scenario and answer the question:
An applicant filed an RTI request and received no response from the CPIO within the prescribed 30 days. He then filed a first appeal. The first appellate authority disposed of the appeal, but the applicant feels the order was unjust. If the applicant wishes to file a second appeal before the Central Information Commission, what is the maximum time limit allowed for preferring this appeal from the date the appellate decision was actually received?
(A) Thirty days
(B) Forty-five days
(C) Sixty days
(D) Ninety days

May/June 2010

66. Consider the following statements concerning the 20-year rule for disclosure:
I. Information relating to events occurring twenty years before the request date must generally be provided.
II. Exemptions related to security, sovereignty, and Cabinet papers continue to apply even after twenty years.
III. In case of a dispute over computing the twenty-year period, the decision of the State Information Commission shall be final.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only

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(C) I and III only
(D) I, II, and III

Oct/Nov 2024

67. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): Disclosure of third-party information containing commercial secrets protected by law is strictly prohibited and can never be allowed.
Reason (R): Except in the case of trade or commercial secrets protected by law, disclosure of third-party information may be allowed if the public interest in disclosure outweighs the harm.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2017

68. Read the following scenario regarding financial redressal and answer the question:
An RTI applicant is distressed because a public authority provided partial, highly misleading information, causing him significant financial loss due to reliance on that data. He appeals to the Central Information Commission (CIC). What specific order can the CIC pass to redress his financial grievance?
(A) The CIC can order the immediate termination of the CPIO's employment without departmental inquiry.
(B) The CIC can order the public authority to compensate the complainant for any loss or other detriment suffered.
(C) The CIC can order a refund of the Rs. 10 application fee as the sole financial remedy.
(D) The CIC cannot pass any compensatory orders; it can only request the CPIO to provide the correct information.

Oct/Nov 2005

69. Which of the following statements correctly identifies a requirement for public authorities regarding policy formulation?
(A) They must keep all facts hidden while formulating important policies to prevent any potential public panic.
(B) They are only required to publish facts if a registered political party demands them in writing to the PIO.
(C) They must provide policy formulation details exclusively to the Central Information Commission for review.
(D) They must publish all relevant facts while formulating policies or decisions which affect the public.

May/June 2020

70. Consider the following categories of information and identify those which are exempt from disclosure:
I. Information whose disclosure would cause a breach of privilege of State Legislature.
II. Information that would prejudicially affect the scientific or economic interests of the State.
III. Personal information causing unwarranted invasion of privacy, with no relationship to public activity.
IV. Details of the procedures followed in the decision-making process of the public authority.
V. Information whose disclosure would endanger the physical safety of any person.
Which of the above statement(s) is/are correct?
(A) I, II, III, and V only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2015

71. Consider the following statements regarding the disposal of appeals:
I. An appeal should normally be disposed of within thirty days of the receipt of the appeal.
II. The extended time for disposing of an appeal cannot exceed a total of forty-five days from the date of filing thereof.
III. The decision of the Central Information Commission on an appeal is merely advisory and not binding on the parties.
Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only

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(D) I, II, and III

May/June 2013

72. What is the underlying principle for allowing severance of records under the Right to Information framework?

(A) To generate additional revenue by charging separate processing fees for each severed part of the document requested.

(B) To delay the process of providing information by introducing complex document-editing and verification procedures.

(C) To allow the public authority to alter historical facts before presenting the final version to the general public.

(D) To ensure that exempt information in a record does not become an excuse to deny access to non-exempt portions.

Oct/Nov 2021

73. Which of the following bodies' meetings and minutes does a public authority need to declare whether they are accessible to the public?

(A) Internal disciplinary proceedings of junior staff members within the organization's regional offices.

(B) Boards, councils, committees, and other bodies constituted for the purpose of its advice.

(C) The informal recreational clubs or social groups formed by the employees for after-work activities.

(D) The confidential strategic meetings with foreign delegates concerning national security or defense.

May/June 2024

74. Consider the following conditions regarding the handling of an RTI application:

I. The application must be accompanied by a fee of rupees ten.

II. Payment can be made by Indian Postal Order payable to the accounts officer.

III. The PIO may seek the assistance of any other officer for the proper discharge of duties.

IV. If an application is transferred to another authority, the applicant is not informed.

V. The period between intimation of fee and actual payment is excluded from the 30-day limit.

Which of the above statement(s) is/are correct?

(A) I, II, III, and V only

(B) I, II, IV, and V only

(C) II, III, IV, and V only

(D) I, III, IV, and V only

Oct/Nov 2008

75. Identify the incorrect statement regarding the Right to Information provisions:

(A) Information which cannot be denied to the Parliament or a State Legislature can still be arbitrarily denied to an ordinary citizen.

(B) Every information shall be disseminated widely and in such form and manner which is easily accessible to the public.

(C) The PIO, on receipt of a request, shall provide the information on payment of prescribed fees or reject it for specified reasons within 30 days.

(D) If the PIO fails to give a decision on the request within the period specified, he shall be deemed to have refused the request.

NODIA

May/June 2006

76. Read the following scenario and answer the question that follows:

A researcher requests a specific document from a public authority to inspect it physically. He inspects the records for exactly two hours and thirty minutes. According to the prescribed fee rules, how much must he pay for the inspection?

(A) Rs. 50

(B) Rs. 30

(C) Rs. 20

(D) Rs. 10

Oct/Nov 2017

77. Read the following scenario regarding application transfer and answer the question:

Mr. Gupta submits an RTI application to Public Authority A. The PIO of Authority A reviews it and realizes that the requested information is exclusively held by Public Authority B. The PIO of Authority A takes eight days to transfer the request to Authority B and subsequently informs Mr. Gupta. Has the PIO of Authority A adhered to the statutory guidelines?

(A) Yes, inter-departmental transfers are allowed up to a maximum of ten days under current guidelines.

(B) Yes, as long as the applicant is eventually informed, the timeline for transfer is flexible by law.

(C) No, the PIO is required to transfer the request to the other public authority within five days.
(D) No, a PIO is never allowed to transfer requests; they must retrieve the data from other bodies.

May/June 2008

78. The following question consists of two statements — Assertion (A) and Reason (R). Answer the question by selecting the appropriate option.
Assertion (A): The Central Information Commission can impose a maximum penalty of twenty-five thousand rupees on a CPIO.
Reason (R): The penalty is calculated at the rate of two hundred and fifty rupees for each day till the information is furnished, subject to the maximum limit.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2013

79. Match the entity or action with its specific detail:
List I: (Entity or Action)
P. Dissemination of information
Q. Third party appeal against disclosure
R. Life or liberty information timeline
S. Disposal of first appeal (extended maximum)
List II: (Specific Detail)
1. Forty-eight hours
2. Within thirty days from the date of the order
3. Cost effectiveness, local language, most effective method
4. Forty-five days
(A) P-3, Q-2, R-1, S-4
(B) P-1, Q-3, R-4, S-2
(C) P-4, Q-1, R-2, S-3
(D) P-3, Q-4, R-1, S-2

May/June 2015

80. Read the following scenario and answer the question:
A citizen filed an RTI application which the CPIO accepted. The CPIO had the information readily available but harbored personal animosity towards the applicant and therefore, with mala fide intent, denied the request stating the information was 'lost'. The applicant proved this in front of the CIC. What penalty calculation will the CIC apply?
(A) A flat penalty of Rs. 50,000 imposed immediately upon the confirmation of mala fide intent.
(B) Rs. 250 per day till the information is furnished, subject to a maximum of Rs. 25,000.
(C) A penalty amount exactly equal to the applicant's claimed financial losses and legal fees.
(D) No financial penalty; only mandatory departmental transfer or suspension is permitted by law.

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IV. Central Public Information Officer takes the third party's submission into account for the final decision.

(A) III, II, I, IV
(B) III, I, II, IV
(C) II, III, I, IV
(D) III, II, IV, I

Oct/Nov 2014

51. Read the following scenario and answer the question that follows:

A Central Public Information Officer intends to disclose certain records that contain information supplied by a third party, treated as confidential. The PIO issues a written notice to the third party. The third party submits an objection on the 12th day after receiving the notice. According to the prescribed procedure, how should the PIO handle this submission?

(A) The PIO must accept the submission as there is no specific statutory time limit for third-party objections.
(B) The PIO must forward the late submission directly to the Central Information Commission for formal arbitration.
(C) The PIO must grant the third party an automatic 30-day extension to file a formal legal injunction in court.
(D) The PIO is not legally bound to consider the submission as it was made after the ten-day period.

May/June 2019

52. Read the following scenario and answer the question that follows:

A CPIO receives an RTI application but, without any reasonable cause, persistently fails to accept the application. The applicant approaches the Central Information Commission (CIC). The CIC finds the CPIO guilty of this obstruction. Apart from imposing a monetary penalty, what further action can the Commission take against the CPIO?

(A) Recommend immediate criminal prosecution under the relevant sections of the Indian Penal Code for obstruction of duty.
(B) Suspend the Public Information Officer directly from their employment for a period of six months without pay or benefits.
(C) Transfer the Public Information Officer to a different state department or administrative unit immediately as punishment.
(D) Recommend taking disciplinary action against the CPIO under the service rules applicable to him.

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Oct/Nov 2006

53. Consider the following statements concerning public authorities' obligations:

I. Every public authority must publish the names, designations, and other particulars of the Public Information Officers within 120 days from the enactment of the Act.
II. These publications regarding the organization's particulars and officers must be updated every five years.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2021

54. Which of the following pairs relating to the computation of fees is incorrectly matched?

(A) A-4 size paper copy - Rupees two for each page created or copied by the authority.
(B) Inspection of records for the first hour - Rupees fifty.
(C) Copy in larger size paper - Actual charge or cost price of the paper and copying.
(D) Samples or models - Actual cost or price of the items being requested by the applicant.

Oct/Nov 2010

55. Read the following scenario and answer the question that follows:

A bank customer files an RTI application requesting the complete details of the deposit accounts and transaction history of another customer, claiming it is required for a private civil litigation. The PIO rejects the application. Under which exemption clause is the PIO's decision primarily justified?

(A) Personal information with no relationship to public interest or causing unwarranted invasion of privacy is exempt.
(B) Information causing a breach of parliamentary privilege or the privilege of a State Legislature under the Act.
(C) Cabinet papers and records of deliberations of the Council of Ministers, Secretaries, and other senior officers.

services. An initial application fee of ten rupees is required. For documents, two rupees are charged per page for smaller sizes. While the first hour of record inspection is free, subsequent periods attract a fee of five rupees for every fifteen minutes or fraction thereof.

9. (B) Commercial confidence and trade secrets must be disclosed immediately if the applicant is a commercial competitor.
Exemption clauses protect sensitive information like foreign government communications, fiduciary data, and details that could hinder criminal investigations. While trade secrets and commercial confidence are generally protected, they can only be disclosed if a larger public interest is established. The claim that such data must be immediately disclosed specifically to a commercial competitor is factually incorrect.

10. (B) Five days
When a request for information is received by a Public Information Officer who does not hold the records, a formal transfer process is initiated. If the subject matter is closely linked to the functions of another public body, the application must be transferred to that authority within five days. The applicant must also be promptly notified of this transfer.

11. (B) II, IV, III, I
The process begins with filing an initial request with the Public Information Officer. If no decision is received within thirty days, the applicant files a first appeal with a senior-ranking officer. After the first appellate authority disposes of the case, the applicant can then prefer a second appeal before the Central Information Commission if they remain unsatisfied.

12. (A) Only I
Public authorities must disseminate information using cost-effective methods and local languages to maximize reach within specific areas. While digital platforms are encouraged, the law does not restrict dissemination exclusively to the internet. This multi-channel approach ensures that information remains accessible to all segments of society, including those without consistent or reliable access to digital technology.

13. (A) The period between dispatch of intimation and actual payment is excluded from the thirty-day timeframe.
When an applicant is required to pay additional fees for copies, the standard thirty-day deadline for providing information is paused. The time elapsed between the dispatch of the fee intimation and the actual receipt of payment by the office is excluded from the calculation. This adjustment ensures that administrative delays in payment do not penalize the processing officer.

14. (C) When it would disproportionately divert resources or be detrimental to the safety or preservation of the record.
Generally, information should be provided in the specific form requested by the applicant. However, exceptions are made if providing it in that form would lead to a disproportionate diversion of the public authority's resources. Additionally, the form can be changed if providing the original would be detrimental to the physical safety or long-term preservation of the record.

15. (A) I, II, and III only
The framework allows access to most records older than twenty years, but specific exemptions remain active. Information affecting national sovereignty, security, or strategic interests continues to be protected. Similarly, data causing a breach of parliamentary privilege or containing certain cabinet deliberations remains exempt. However, the exemption for information received in confidence from foreign governments is not indefinitely extended.

16. (C) One hundred and twenty days
Upon the enactment of the transparency legislation, every public authority was granted a specific window to proactively publish essential organizational details. This includes descriptions of functions, duties, and powers. This mandatory disclosure had to be completed within one hundred and twenty days of the Act's commencement to ensure the immediate establishment of an accountable and transparent administrative system.

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35. (A) Determining the date for the 20-year period - Final decision by the Central Government, subject to appeals.
The rule allowing disclosure of information older than twenty years is subject to certain conditions. If a dispute arises regarding the specific date from which this twenty-year period should be computed, the Central Government holds the authority to make the final decision. This administrative determination is final under the Act, though it remains subject to the usual appeals process.

36. (A) P-3, Q-4, R-1, S-2
The Central Information Commission can order compensation for detriments suffered, while the First Appellate Authority has the power to condone delays in filing appeals. A third party has the right to prefer an appeal against the disclosure of confidential information they supplied. Applicants can file complaints if they receive incomplete or misleading information from the public authority.

37. (A) P-3, Q-1, R-2, S-4
Information regarding life or liberty must be provided within forty-eight hours. The transfer of an application to another public authority must occur within five days. Third parties are given ten days to make submissions regarding potential disclosures. Finally, a second appeal before the Central Information Commission must be filed within ninety days of the relevant decision or date.

38. (A) P-3, Q-4, R-1, S-2
Different sections of the transparency law define specific exemptions. Section 8(1)(g) covers information that could endanger life or physical safety. Section 8(1)(h) exempts data that might impede investigations. Section 8(1)(c) protects against breaches of parliamentary privilege, and Section 8(1)(e) addresses information held in a fiduciary relationship, highlighting the structured nature of legal protections for sensitive information.

39. (D) No, every public authority must publish the budget allocated to its agencies, including plans and expenditures.
Public authorities are under a specific obligation to be transparent about their financial operations. This includes publishing the budget allocated to each of its agencies, along with details of proposed expenditures and reports on actual disbursements. Therefore, a Public Information Officer cannot validly deny a request for budget data by claiming it is strictly confidential internal financial information.

40. (D) Assertion (A) is false, but Reason (R) is true.
Information involving commercial confidence and trade secrets is not absolutely immune from disclosure. While such data is generally protected to prevent harming the competitive position of third parties, the protection is conditional. If a competent authority determines that a larger public interest warrants the disclosure, the information can be released. Thus, the claim of complete immunity is factually incorrect.

41. (B) Whether the public interest in disclosure outweighs the harm to the protected interests.
When a public authority considers disclosing information that falls under an exemption or is protected by the Official Secrets Act, 1923, a specific legal test is applied. The authority must evaluate whether the public interest in revealing the information is greater than the potential harm to the protected interests. This balancing act prioritizes transparency in cases of significant public concern.

42. (D) I, II, III, IV, and V
In deciding an appeal, the Central Information Commission has broad powers. It can require an authority to provide information in a specific form, order the appointment of officers, or mandate compensation for loss suffered by the complainant. Additionally, the Commission can impose statutory penalties for non-compliance or choose to reject the appeal if it lacks merit or legal basis.

43. (B) The request shall be deemed to have been refused.
If a Public Information Officer fails to communicate a decision on a request within the mandatory thirty or thirty-five day timeframe, specific legal consequences follow. The inaction is treated as a "deemed refusal" of the request. This legal fiction allows the applicant to proceed to the next stage of the process, such as filing an appeal, without further delay.

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26. (D) To ensure that the public have minimum resort to the use of the Right to Information Act to obtain required information.
Public authorities are encouraged to proactively publish as much information as possible at regular intervals. The primary objective of this suo-motu disclosure is to foster transparency and keep the public informed without requiring specific requests. By making data readily available through various communication means, authorities ensure that citizens have minimum need to use formal RTI applications.

27. (A) A public authority may allow access to information despite the Official Secrets Act, if public interest in disclosure outweighs the harm to the protected interests.
The relationship between transparency laws and secrecy acts is governed by the principle of public interest. Even if information is protected under the Official Secrets Act, 1923, a public authority may still allow access. This is permitted if the public interest in disclosing the information is found to outweigh the potential harm to the interests protected by secrecy.

28. (C) I, II, and III
Requests for information must be handled expeditiously, with a standard deadline of thirty days from the date of receipt. However, a much stricter timeline applies when the information sought concerns the life or liberty of a person. In such urgent cases, the Public Information Officer is required to provide the information within forty-eight hours of receiving the request.

29. (A) I and II only
Information that prejudicially affects national sovereignty or integrity, or which a court of law has expressly forbidden from publication, is exempt from disclosure. However, information that would cause a breach of parliamentary privilege does not lose its exempt status simply because the applicant is a member of the media. Privilege protections apply uniformly regardless of the applicant's profession.

30. (D) I, II, III, IV, and V
When providing partial access after severing exempt portions, the Public Information Officer must issue a comprehensive notice. This notice must confirm the severance, state the reasons for the decision, identify the official responsible, provide fee details, and inform the applicant of their right to seek a review of the non-disclosure. These steps ensure transparency in the redaction process.

31. (A) I, II, and III
The Information Commission may recommend disciplinary action against an officer who acts with mala fide intent. Valid grounds for such a recommendation include the intentional denial of a request, the knowing provision of incorrect or misleading information, or the destruction of requested records. Timely transfer of a request to another authority within five days is a procedural requirement, not a violation.

32. (B) I, II, and IV only
A notice for partial access must include the reasons for the decision, findings on material facts, and the specific fees or form of access provided. It also requires details on how the fees were calculated. However, the officer is not required to provide an unredacted version of the severed portion, as that would defeat the purpose of the exemption.

33. (B) Who wishes to seek a judicial review of a Supreme Court judgment.
The Information Commission handles complaints regarding administrative failures, such as the non-appointment of officers, refusal to accept requests, or the provision of misleading information. However, the Commission does not have the jurisdiction to conduct judicial reviews of Supreme Court judgments. Such legal challenges must be pursued through the appropriate judicial hierarchy rather than administrative transparency bodies.

34. (B) Rupees 300
For providing copies of documents, a standard fee of two rupees is charged for every page of A-4 or A-3 size paper created or copied. Therefore, for a report consisting of 150 pages, the additional charge is calculated by multiplying the number of pages by the rate per page. This results in a total payment requirement of three hundred rupees.

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52. (D) Recommend taking disciplinary action against the CPIO under the service rules applicable to him.
If an officer persistently fails to accept an application or obstructs the process without reasonable cause, the Information Commission can go beyond monetary penalties. The Commission is empowered to recommend that the public authority take formal disciplinary action against the officer under the specific service rules applicable to them. This provides a mechanism for administrative accountability within the government hierarchy.

53. (A) Only I
Every public authority was required to publish the particulars of its organization and its officers within one hundred and twenty days of the Act's enactment. While these publications must be kept current, the law mandates that they be updated annually rather than every five years. This requirement ensures that the public has access to accurate and timely information about government structures.

54. (B) Inspection of records for the first hour - Rupees fifty.
The fee structure for accessing information is clearly defined in the rules. For A-4 size copies, the charge is two rupees per page, while larger copies and samples are charged at actual cost. However, the rule for inspection of records specifically states that there is no fee for the first hour of inspection, making the fifty-rupee claim incorrect.

55. (A) Personal information with no relationship to public interest or causing unwarranted invasion of privacy is exempt.
Requests for the private financial records and transaction histories of individuals are generally rejected to protect personal privacy. Unless a larger public interest is clearly demonstrated, such information is considered personal and its disclosure would cause an unwarranted invasion of privacy. This exemption applies even if the data is sought for use in private civil litigation between two parties.

56. (A) The appellate authority can condone the delay if satisfied that the appellant was prevented by sufficient reasons.
While the standard period for filing a first appeal is thirty days, the law provides flexibility for exceptional circumstances. If an appellant is prevented from filing on time due to sufficient reasons, such as a severe medical emergency, the appellate authority has the power to condone the delay. This allows the appeal to be admitted and processed despite the time lapse.

57. (A) Only I
When a request is transferred to another public authority, the action must be completed within five days of receiving the application. Contrary to the idea that the applicant is not involved, the transferring officer is legally required to inform the applicant immediately about the transfer. This notification ensures that the applicant knows which authority is now responsible for processing their request.

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58. (A) Yes, information which would impede investigation or apprehension of offenders is expressly exempt from disclosure.
Information that would impede the process of investigating a crime or the apprehension of offenders is expressly exempt from disclosure. This protection applies to high-profile economic offenses just as it does to other criminal matters. Therefore, a Public Information Officer is legally justified in rejecting a request if releasing the data would interfere with an ongoing police investigation or related proceedings.

59. (C) Assertion (A) is true, but Reason (R) is false.
A second appeal must indeed be filed with the Central Information Commission within ninety days of receiving the first appellate decision. However, the reason provided is incorrect because the first appellate authority's decision is not immune from challenge. The very existence of the second appeal mechanism proves that the first decision can be reviewed and overturned by the Commission.

60. (B) I and III only
Severance allows an officer to separate exempt information from non-exempt portions of a record. When this occurs, the applicant must be informed of the reasons and the name of the

44. (D) Officers designated by public authorities in all administrative units to provide information to citizens under the Act.
Public Information Officers are internal officials designated by every public authority across its various administrative units. Their primary role is to act as the point of contact for citizens seeking information under the law. They are responsible for receiving applications, processing requests, and ensuring that information is provided in accordance with the statutory obligations of the public authority.

45. (A) I, II, and IV only
Public authorities must provide reasons for administrative decisions to affected parties. Information from foreign governments is exempt, and trade secrets may be disclosed if public interest prevails. However, cabinet papers are not permanently exempt, as decisions are eventually made public. Furthermore, citizens are explicitly not required to provide a rationale or reason for requesting information under the law.

46. (B) The Central Information Commission or the State Information Commission.
If an applicant believes that the fee requested by a Public Information Officer is unreasonable, they have the right to file a formal complaint. The Central Information Commission or the State Information Commission are the bodies empowered to receive and inquire into such complaints. They ensure that the fee structure remains fair and does not become a barrier to accessing information.

47. (A) I, II, and III only
Public authorities must proactively publish their operational norms, categories of documents held, and details regarding the execution of subsidy programs. These requirements are designed to foster general administrative transparency. However, the mandatory publication list does not include the private home addresses of employees, as this would constitute an unnecessary and unwarranted invasion of personal privacy and security.

48. (B) The Commission can impose a penalty on the CPIO without giving an opportunity to the parties of being heard.
The Information Commission can impose a penalty of two hundred and fifty rupees per day, up to twenty-five thousand rupees, if an officer obstructs the information-sharing process. However, the law mandates a fair procedure. The Commission cannot impose such a penalty without first giving the concerned parties a reasonable opportunity to be heard and present their case.

49. (A) To ensure rapid response in situations where human safety, freedom, or fundamental rights are under threat.
The provision requiring the supply of information within forty-eight hours is a specialized emergency measure. It is triggered only when the requested information concerns the life or liberty of a person. This rapid response timeframe is essential to protect fundamental human rights, ensure personal safety, and prevent the irreparable loss of freedom in situations requiring immediate administrative or legal intervention.

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50. (A) III, II, I, IV
The process begins when the officer receives a request involving confidential third-party information. The officer then issues a written notice to the third party expressing the intention to disclose. Following this, the third party provides a written or oral submission. Finally, the Public Information Officer evaluates this submission before making the final decision on whether to release the information.

51. (D) The PIO is not legally bound to consider the submission as it was made after the ten-day period.
The legal framework establishes a strict ten-day timeline for a third party to submit their representations after receiving a notice of intended disclosure. If a third party fails to respond within this period and instead makes a submission on the twelfth day, the Public Information Officer is no longer legally bound to consider that late submission when making the final decision.

CHAPTER 33
Information Technology Act, 2000

May/June 2023

1. The Information Technology Act, 2000 has been formally amended several times. Which of the following sets of years represents significant legislative changes or major notifications affecting the Act?
(A) 2001, 2005, 2015
(B) 2004, 2010, 2018
(C) 2008, 2017, 2022
(D) 2002, 2009, 2017

Oct/Nov 2014

2. Which statement incorrectly details the investigative protocol for offences listed in the Information Technology Act?
(A) The Act lists various offences including tampering with computer source documents.
(B) Hacking and publishing of obscene information in electronic form are covered offences.
(C) The offences must be investigated by a Police Officer not below the rank of Sub-Inspector.
(D) The offences will be investigated by a Police Officer not below the rank of Inspector of Police.

May/June 2005

3. What does an 'asymmetric crypto system' essentially consist of?
(A) A single secure key used for both encrypting and decrypting an electronic record
(B) A hardware device and a biometric scan linked to a prescribed security procedure
(C) A secure key pair using a private key for signatures and a public key for verification
(D) A continuous interconnection of two or more computers using microwave communication

Oct/Nov 2025

4. Following the Gazette notification dated September 26, 2022, which of the following entities is NOT part of the "Regulatory Authorities" collectively mentioned in the amendment regarding negotiable instruments?
(A) Reserve Bank of India
(B) Securities and Exchange Board of India
(C) Telecom Regulatory Authority of India
(D) Pension Fund Regulatory and Development Authority

May/June 2018

5. What is the fundamental nature of the penalty prescribed for unauthorized access, downloading, or introducing a computer virus into a system?
(A) Rigorous imprisonment up to ten years in a federal facility
(B) Payment of damages by way of compensation to the affected person
(C) Immediate cancellation of the issued Digital Signature Certificate
(D) Confiscation of the computer system and associated local networks

Oct/Nov 2007

6. For the purposes of legal application to electronic cheques and truncated cheques, where are these terms primarily defined?
(A) The Reserve Bank of India Act, 1934
(B) The Negotiable Instruments Act, 1881
(C) The Bankers' Books Evidence Act, 1891
(D) The Information Technology Act, 2000

May/June 2024

7. Which of the following expressions means gaining entry into, instructing or communicating with the logical, arithmetical, or memory function resources of a computer, computer system or computer network?
(A) Verify
(B) Access
(C) Function
(D) Intermediary

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official responsible. Furthermore, the applicant retains a legal right to review the decision regarding the non-disclosure of the severed parts, ensuring accountability in the application of exemptions.

61. (B) I, III, and IV only
A formal rejection notice must provide the reasons for the decision, the period for filing an appeal, and the details of the appellate authority. This information is necessary for the applicant to seek a review. However, the Public Information Officer is not required to provide their personal contact details or residential address, as this would violate their individual privacy.

62. (A) To ensure the applicant's right to natural justice and facilitate a mechanism for redressal.
Providing specific details in a rejection notice, such as the reasons for the decision and the particulars of the appellate authority, is rooted in the principle of natural justice. These requirements are intended to ensure that the process is fair and transparent, giving the applicant a clear and structured pathway to seek redressal or challenge the decision through formal channels.

63. (A) Provided the information on the 28th day after receiving the application.
Disciplinary action is recommended for serious violations like destroying information, knowingly providing false data, or persistently refusing to accept applications. However, providing information on the twenty-eighth day is perfectly legal, as it falls within the standard thirty-day window. Such timely performance of duty does not constitute a ground for any disciplinary or penal measures against the officer.

64. (A) Information already explicitly published by a court of law - Exempt from disclosure.
Information that would affect national sovereignty, involve foreign government confidences, or impede investigations is indeed exempt. However, the statement that information already explicitly published by a court of law is exempt is incorrect. Publicly available court documents are generally not exempt under these provisions; rather, information forbidden to be published by a court is the category that is protected.

65. (D) Ninety days
If an applicant is dissatisfied with the decision of the first appellate authority, they have the right to prefer a second appeal. This appeal must be filed before the Central Information Commission. The law allows a maximum window of ninety days from the date the appellate decision was actually received or should have been made to submit this second appeal.

66. (A) I and II only
Records older than twenty years are generally accessible, but specific exemptions regarding security, sovereignty, and certain cabinet deliberations remain in force. While these rules provide more transparency for historical records, the final authority for resolving disputes over the computation of this twenty-year period rests with the Central Government, rather than the State Information Commission, for central public authorities.

67. (D) Assertion (A) is false, but Reason (R) is true.
The assertion that disclosure of third-party commercial secrets is strictly prohibited under all circumstances is false. While trade secrets are generally protected, the law allows for their disclosure if the public interest in revealing the information outweighs any potential harm. This conditional nature of the exemption reflects the primary focus on public interest within the transparency framework.

68. (B) The CIC can order the public authority to compensate the complainant for any loss or other detriment suffered.
When a public authority provides misleading information that results in financial loss or other detriment to an applicant, the Central Information Commission has the power to provide a remedy. The Commission can formally order the public authority to compensate the complainant for the loss suffered. This power ensures that citizens are not unfairly harmed by the administrative failures of the authority.

69. (D) They must publish all relevant facts while formulating policies or decisions which affect the public.
Public authorities are mandated to maintain transparency during the creation of new rules and regulations. This obligation requires them

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to publish all relevant facts while they are formulating policies or taking decisions that significantly affect the public. This proactive disclosure ensures that citizens are informed about the basis of government decisions that impact their lives and the general society.

70. (A) I, II, III, and V only
Exemptions cover information causing a breach of state legislative privilege, affecting scientific or economic interests, or endangering physical safety. Personal information with no public interest is also protected. However, details of the procedures followed in decision-making are not exempt; in fact, public authorities are proactively required to publish these procedural details to ensure administrative transparency and accountability.

71. (A) I and II only
A first appeal should normally be resolved within thirty days, with an absolute maximum extension of forty-five days for exceptional reasons. These timelines ensure the prompt resolution of disputes. However, the statement regarding the Central Information Commission's decision being merely advisory is incorrect; the Commission's decisions on appeals are legally binding on all parties involved in the case.

72. (D) To ensure that exempt information in a record does not become an excuse to deny access to non-exempt portions.
The practice of severance is designed to maximize the disclosure of information. It allows a Public Information Officer to redact or remove specific portions of a record that fall under a legal exemption while still providing the remainder of the document to the applicant. This prevents the existence of some sensitive data from being used as a justification to withhold an entire record.

73. (B) Boards, councils, committees, and other bodies constituted for the purpose of its advice.
Public authorities are required to be transparent about the operation of their advisory bodies. This includes declaring whether the meetings of boards, councils, committees, and other similar bodies are open to the public. Furthermore, the authority must clarify whether the minutes of these meetings are accessible to citizens, thereby ensuring accountability in the advice-giving and decision-making processes.

74. (A) I, II, III, and V only
RTI requests require a ten-rupee fee, payable via Indian Postal Order or other modes. Officers can seek internal assistance, and the time taken for fee payment is excluded from processing limits. However, the claim that applicants are not informed of application transfers is incorrect; the transferring officer is legally mandated to notify the applicant immediately of any such transfer.

75. (A) Information which cannot be denied to the Parliament or a State Legislature can still be arbitrarily denied to an ordinary citizen.
The law mandates that information be disseminated widely and processed within thirty days, failing which it is deemed refused. A central tenet is that information which cannot be denied to the Parliament or a State Legislature shall not be denied to any person. Therefore, the statement suggesting that such information can be arbitrarily denied to an ordinary citizen is fundamentally incorrect.

76. (B) Rs. 30
The fee rules for record inspection state that the first hour is free of charge. After this initial period, a fee of five rupees is charged for every fifteen minutes or fraction thereof. For an inspection lasting two hours and thirty minutes, the first sixty minutes are free, leaving ninety minutes. This ninety-minute period equates to six fifteen-minute segments, totaling thirty rupees.

77. (C) No, the PIO is required to transfer the request to the other public authority within five days.
In the provided scenario, the officer took eight days to transfer the request to the correct authority. This exceeds the statutory limit. The legal guidelines mandate that if an application needs to be transferred because the information is held by another public body, the transfer must be executed as soon as possible and within a maximum of five days.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Central Information Commission is empowered to impose financial penalties on

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officers for various violations. The penalty is calculated at a daily rate of two hundred and fifty rupees for each day of delay or obstruction. This daily accrual continues until the information is provided, subject to a maximum cap of twenty-five thousand rupees, making the assertion and its explanation correct.

NODIA

79. (A) P-3, Q-2, R-1, S-4
Dissemination must consider cost and local language effectiveness. Third-party appeals against disclosure orders must be made within thirty days. Information concerning life or liberty has an urgent forty-eight hour timeline. Additionally, the maximum extended time for a first appellate authority to dispose of an appeal is forty-five days, ensuring a structured approach to transparency and legal review.

80. (B) Rs. 250 per day till the information is furnished, subject to a maximum of Rs. 25,000.
When an officer is found to have denied a request with mala fide intent or by providing false excuses, the Information Commission applies a standardized penalty calculation. The fine is set at two hundred and fifty rupees for every day until the information is furnished. Regardless of the duration of the delay or the intent, the total penalty for a single request cannot exceed twenty-five thousand rupees.

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17. (A) The CPIO is incorrect; decisions and reasons are made public after the decision is taken and the matter is complete.
Although cabinet papers are initially exempt, this protection is not absolute or perpetual. Once a decision has been taken, the matter is complete, and the policy is implemented, the decisions and the underlying reasons must be made public. The records of deliberations remain protected, but the finalized outcomes and their justifications are subject to disclosure after the process ends.

18. (A) I and II only
Public Information Officers are responsible for processing requests and must assist individuals who are unable to submit written applications by reducing oral requests to writing. While officers are central to the process, they are not prohibited from seeking assistance. In fact, they can consult other officers to ensure the proper and efficient discharge of their duties.

19. (D) If providing access would involve an infringement of a copyright subsisting in a person other than the State.
A request for information can be rejected if providing access would involve infringing a copyright. This specific ground for rejection applies when the copyright is held by a person or entity other than the State. This provision ensures that intellectual property rights belonging to private individuals or third-party organizations are protected from unauthorized disclosure by the public authority.

20. (A) The PIO is not required to take the third party's representation into consideration while making a decision.
The procedure for handling third-party information requires the Public Information Officer to give written notice within five days if the data was supplied in confidence. The third party is then granted ten days to make a representation. Contrary to the incorrect statement, the officer is legally obligated to take these representations into account when deciding whether to disclose.

21. (B) Thirty days
A first appeal filed by an applicant must be addressed by the designated senior officer within a specific timeframe. Under normal circumstances, the appeal should be disposed of within thirty days of its receipt. In exceptional cases, this period may be extended to a total of forty-five days, provided that the reasons for the extension are recorded in writing.

22. (B) Making information known to the public through notice boards, newspapers, announcements, broadcasts, the internet, or other means.
Dissemination refers to the proactive process of making information known and accessible to the general public. This can be achieved through various channels, including official notice boards, newspapers, public announcements, media broadcasts, or internet platforms. The goal is to ensure that information reaches the public in a form and manner that is easily understandable and widely available.

23. (D) The PIO is obligated to render reasonable assistance to the citizen to reduce the oral request into writing.
When a citizen is unable to submit a written request due to illiteracy or other constraints, the Public Information Officer has a legal duty to provide support. Instead of refusing the request, the officer must render reasonable assistance to help the applicant reduce their oral request into a written format. This ensures that the right to information remains inclusive.

24. (D) Assertion (A) is false, but Reason (R) is true.
While cabinet papers and records of deliberations are indeed categorized as exempt information, this exemption is not perpetual. Decisions and the material supporting them are generally made public once the matter is finalized and complete. Therefore, the assertion of perpetual immunity is incorrect, even though the classification of such documents as exempt during the deliberative process is true.

25. (B) Credit card or debit card
The rules specify several acceptable methods for paying the initial application fee to ensure accessibility. Citizens can pay in cash against a proper receipt, or use a demand draft, banker's cheque, or Indian Postal Order. However, payment via credit or debit cards is not explicitly listed as a standard method for the initial ten-rupee fee in the core regulations.

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Oct/Nov 2013

8. Identify the correct statement regarding the declaration of a 'protected system' under the Information Technology Act.
(A) Only the Indian Computer Emergency Response Team can declare a system as protected.
(B) The Government may notify a computer resource affecting critical infrastructure as a protected system.
(C) A system can only be declared protected if it is exclusively owned by the Central Government.
(D) The Controller of Certifying Authorities determines which computer networks qualify as protected systems.

May/June 2011

9. Which of the following is NOT listed as a function of the Controller of Certifying Authorities?
(A) Certifying public keys of the Certifying Authorities
(B) Formulating the monetary policy guidelines for online payment sites
(C) Specifying the contents of written, printed or visual materials in respect of an electronic signature Certificate
(D) Maintaining a database containing the disclosure record of every Certifying Authority

Oct/Nov 2020

10. Regarding the extraterritorial jurisdiction of the Information Technology Act, 2000, which of the following statements is conceptually accurate?
(A) The Act is strictly confined to offences committed within the geographical boundaries of India.
(B) The Act applies to offences committed outside India only if the offender is an Indian citizen.
(C) The Act applies to any offence or contravention thereunder committed outside India by any person.
(D) The Act applies outside India solely for offences involving foreign Certifying Authorities.

May/June 2016

11. What is the specific purpose of the Cyber Regulation Advisory Committee?
(A) To adjudicate disputes between Originators and Addressees.
(B) To lay down the qualifications and experience for employees of Certifying Authorities.
(C) To maintain the electronic form of the Official Gazette.
(D) To advise the Government on rules or any other purpose connected with the Information Technology Act.

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Oct/Nov 2009

12. The General Assembly of the United Nations adopted the Model Law on Electronic Commerce by the resolution A/RES/51/162 on which of the following dates?
(A) 30 May 2000
(B) 17 August 2017
(C) 30 January 1997
(D) 16 December 1996

May/June 2021

13. Identify the incorrect statement concerning the adjudication of offences under the Information Technology Act.
(A) The adjudicating officer must be below the rank of a Director to the Government of India.
(B) An adjudicating officer is appointed to determine contraventions of the Act.
(C) The adjudicating officer is granted the powers of a Civil Court.
(D) No appeal shall lie to the Appellate Tribunal from an order made with the consent of the parties.

Oct/Nov 2010

14. Which of the following laws was structurally amended to facilitate the objectives of the Information Technology Act, 2000?
(A) The Indian Contract Act, 1872
(B) The Negotiable Instruments Act, 1881
(C) The Bankers' Books Evidence Act, 1891
(D) The Transfer of Property Act, 1882

May/June 2019

15. When 'verifying' an electronic record in relation to a digital signature, what must be determined according to the Act?
(A) Whether the intermediary has securely stored the electronic record for ten years.
(B) Whether the subscriber physically signed a printed copy of the electronic record.

(C) Whether the originator obtained a license from a foreign Certifying Authority before dispatch.
(D) Whether the signature was created using a private key matching the public key and remained intact.

Oct/Nov 2018

16. Under the Information Technology Act, 2000, which entity serves as the Appellate Tribunal referred to in the legal framework for cyber regulations?
(A) Telecom Disputes Settlement and Appellate Tribunal
(B) Cyber Regulations Appellate Tribunal for Electronic Records
(C) Securities Appellate Tribunal of the National Stock Exchange
(D) Information Technology Appellate Tribunal for Network Disputes

May/June 2007

17. Which of the following was NOT originally listed in the exclusions of the Information Technology Act as a document or transaction to which the Act does not apply?
(A) A contract for the sale of goods and merchandise
(B) A negotiable instrument (other than a cheque)
(C) A power-of-attorney
(D) A will including any other testamentary disposition

Oct/Nov 2016

18. Within how many days from the date on which a copy of the order made by the Controller or adjudicating officer is received must an appeal be filed to the Appellate Tribunal?
(A) 45 days
(B) 30 days
(C) 60 days
(D) 90 days

May/June 2012

19. Which of the following statements regarding the documents to which the Information Technology Act does not apply is incorrect, considering recent regulatory updates?
(A) The Act does not apply to a trust as defined in section 3 of the Indian Trust Act, 1882.
(B) The Act does not apply to a will as defined in clause (h) of section 2 of the Indian Succession Act, 1925.
(C) The Act does not apply to demand promissory notes issued by an entity regulated by the Reserve Bank of India.
(D) The Act does not apply to any contract for the sale or conveyance of immovable property.

Oct/Nov 2022

20. Which statement accurately describes the procedural mandate for the Appellate Tribunal upon receiving an appeal under the Act?
(A) The Tribunal shall endeavour to finally dispose of the appeal within six months.
(B) The Tribunal must transfer the appeal to a civil court within thirty days of receipt.
(C) The Tribunal only entertains appeals directed against orders of foreign Certifying Authorities.
(D) The Tribunal restricts hearing rights to the Controller of Certifying Authorities exclusively.

May/June 2014

21. What is the designated role of the National Nodal Agency established for critical information infrastructure protection?
(A) To resolve conflicts of interest between Certifying Authorities and subscribers.
(B) To investigate hacking and obscenity offences in electronic form.
(C) To manage research and development relating to the protection of Critical Information Infrastructure.
(D) To regulate demand promissory notes issued by entities regulated by the National Housing Bank.

Oct/Nov 2006

22. In which month and year did the Information Technology Bill receive the assent of the President of India?
(A) January 1997
(B) June 2000
(C) May 2000
(D) September 2002

May/June 2025

23. How does the Information Technology Act structure the authentication of electronic records using digital signatures?

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(A) By requiring a Certifying Authority to manually affix a digital seal on the electronic document prior to dispatch.
(B) By mandating the Indian Computer Emergency Response Team to authorize every electronic message sent by an originator.
(C) By utilizing a single algorithmic key managed entirely by the Controller of Certifying Authorities for all subscribers.
(D) By utilizing an asymmetric crypto system where a private key creates the signature and a mathematically related public key verifies it.

Oct/Nov 2019

24. Which of the following acts does NOT attract liability to pay damages by way of compensation under the general penalties for damage to computer systems?
(A) Introducing a computer contaminant into a computer network
(B) Destroying information residing in a computer resource
(C) Disrupting any computer system without permission
(D) Attempting to access an officially notified protected system

May/June 2009

25. Which of the following statements incorrectly describes an 'intermediary' under the Information Technology Act, 2000?
(A) It receives, stores or transmits electronic records on behalf of another person.
(B) It explicitly includes the originator and the addressee of the electronic record.
(C) It includes telecom service providers and network service providers.
(D) It encompasses web-hosting service providers and search engines.

Oct/Nov 2011

26. Which of the following best defines 'cyber security' under the Information Technology Act?
(A) Authenticating an electronic record by means of a digital signature and secure certificates
(B) Regulating the practices that Certifying Authorities employ in issuing secure user credentials
(C) Establishing a network of interconnected computers maintained against all unauthorized access
(D) Protecting information and computer resources from unauthorized access, use, or destruction

May/June 2010

27. What is the overarching objective of providing the legal infrastructure for e-commerce under the Information Technology Act, 2000?
(A) To accord legal sanctity to electronic records and activities carried out by electronic means.
(B) To replace all paper-based communications with an exclusive governmental electronic network.
(C) To mandate that all private business transactions be audited by the Indian Computer Emergency Response Team.
(D) To ensure that all computer networks in India are continuously connected to a central government server.

Oct/Nov 2024

28. When electronic records are retained to satisfy a legal requirement, which of the following conditions ensures compliance under the Act?
(A) The information is usable for reference and remains in its original generated format.
(B) The record is converted into physical microfiche and stored in a secure government vault.
(C) The electronic record is immediately encrypted and its private key destroyed after transmission.
(D) The record is routed through a National Nodal Agency to verify its origin before archiving.

May/June 2017

29. According to the definition of a 'computer system', which of the following is explicitly excluded from being considered part of a computer system?
(A) Input and output support devices
(B) Electronic instructions and input data
(C) Calculators which are not programmable
(D) Devices performing logic and arithmetic functions

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Oct/Nov 2005

30. Which of the following statements correctly represents a statutory function of the Controller of Certifying Authorities?
(A) Adjudicating disputes between telecom service providers and internet service providers.
(B) Investigating cyber offences punishable with imprisonment of ten years.
(C) Designating organizations as the national nodal agency for critical infrastructure.
(D) Laying down the standards to be maintained by Certifying Authorities.

May/June 2020

31. Match the legal documents in List I with the corresponding statutes referenced in the regulatory exclusions in List II:
List I: Documents
P. Negotiable instrument
Q. Power-of-attorney
R. Trust
S. Will
List II: Statutes
1. Indian Succession Act, 1925
2. Indian Trust Act, 1882
3. Powers-of-Attorney Act, 1882
4. Negotiable Instruments Act, 1881
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-3, Q-4, R-1, S-2
(D) P-4, Q-1, R-2, S-3

Oct/Nov 2015

32. Read the following types of documents or transactions:
I. Negotiable instruments involving regulated entities.
II. Powers-of-attorney empowering regulated entities.
III. Trust deeds involving regulated entities.
Which of the above were modified (removed from the list of excluded documents) by the September 26, 2022 amendment?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2013

33. Match the Sections in List I with their corresponding subject matter in List II:
List I: Sections
P. Section 43
Q. Section 48
R. Section 70
S. Section 81A
List II: Subject Matter
1. Protected System and Critical Information Infrastructure
2. Application to Electronic Cheque and Truncated Cheque
3. Penalties for damage to computer systems
4. Establishment of the Appellate Tribunal
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-1, Q-2, R-3, S-4
(D) P-3, Q-1, R-4, S-2

Oct/Nov 2021

34. Read the following documents or transactions:
I. A negotiable instrument (other than a cheque).
II. A power-of-attorney.
III. A trust as defined in the Indian Trust Act.
IV. A will or testamentary disposition.
To which of the above did the legal framework originally not apply prior to recent amendments?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

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May/June 2006

35. Read the following statements regarding a 'secure system':
I. It must adhere to generally accepted security procedures.
II. It must provide a reasonable level of reliability and correct operation.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2017

36. Read the following transactions and documents involving specific regulated entities:
I. Demand promissory notes
II. Bills of exchange
III. Powers-of-attorney
IV. Contracts for sale of immovable property
V. Wills

Which of the above were omitted from the First Schedule (effectively bringing them under the Act's coverage) by the Gazette notification dated September 26, 2022?
(A) I, II, III, and IV only
(B) I, III, and IV only
(C) II, III, and V only
(D) III, IV, and V only

May/June 2008

37. Read the following events and arrange them in chronological order of their occurrence:
I. Assent of the President to the Information Technology Bill.
II. Adoption of the Model Law on Electronic Commerce by the UN General Assembly.
III. First formal major amendment to the Information Technology Act (Amendment Act of 2008).
IV. Passing of the Information Technology Bill by both houses of the Indian Parliament.
(A) II, IV, I, III
(B) II, I, IV, III
(C) IV, II, I, III
(D) I, II, IV, III

Oct/Nov 2008

38. Read the following conditions regarding the retention of electronic records:
I. The information remains accessible for subsequent reference.
II. The electronic record is retained in its original format or one that accurately represents it.
III. Details facilitating the identification of origin, destination, date and time are available.
Which of the above conditions must be met for the retention to be deemed legally satisfied?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2015

39. Read the following statements regarding the Appellate Tribunal:
I. The Tribunal currently acting for the Act is the Telecom Disputes Settlement and Appellate Tribunal.
II. It became the Appellate Tribunal for the Information Technology Act via the Finance Act, 2017.
III. The Central Government specifies matters and places for its jurisdiction.
IV. It is bound to follow the procedural rules dictated exclusively by the Controller.
Which of the above statements correctly reflect the provisions?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2012

40. Which of the following pairs of offence and corresponding penalty is correctly matched?
(A) Stealing computer source code - Imprisonment up to ten years
(B) Unauthorized access to a protected system - Adjudication by a Director to the Government of India
(C) Failure to retain electronic records - Cancellation of public key
(D) Introducing a computer virus - Damages by way of compensation

May/June 2022

41. Read the following statements regarding Critical Information Infrastructure and Protected Systems:
I. The appropriate Government declares a system as protected.
II. Protected systems directly or indirectly affect Critical Information Infrastructure.
III. Incapacitation of CII debilitates national security, economy, public health, or safety.
IV. Central Government authorizes the persons who can access protected systems.
V. Breaching a protected system attracts a fine and imprisonment.
Which of the above statements are true?
(A) I, II, III, and V only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2023

42. Match the cryptographic elements in List I with their functions in List II:
List I: Elements
P. Public Key
Q. Private Key
R. Key Pair

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S. Asymmetric crypto system

List II: Functions

1. Used to create a digital signature
2. System of a secure key pair for creating and verifying signatures
3. Used to verify a digital signature and listed in the Certificate
4. A mathematically related private key and public key

(A) P-3, Q-1, R-4, S-2
(B) P-1, Q-3, R-2, S-4
(C) P-4, Q-2, R-3, S-1
(D) P-2, Q-4, R-1, S-3

May/June 2023

43. Read the following acts performed without permission:

I. Denying access to an authorized person.
II. Introducing any computer contaminant or virus.
III. Publishing a false certification practice statement.

Which of the above acts attract liability for compensation under Section 43 of the Information Technology Act?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2014

44. Read the following statements regarding appeals to an Appellate Tribunal:

I. Any person aggrieved by an order made by an adjudicating officer may prefer an appeal.
II. An appeal shall lie to the Appellate Tribunal even from an order made with the consent of the parties.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2005

45. Read the following actions performed without permission:

I. Downloads or copies any data or database.
II. Introduces a computer contaminant.
III. Disrupts a computer system.
IV. Charges services availed of to the account of another person by tampering.
V. Destroys any information residing in a computer resource to diminish its value.

For which of the above actions can compensation be claimed under the Act?

(A) I, II, III, and IV only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, III, IV, and V

Oct/Nov 2025

46. Arrange the sequence of steps for preferring an appeal to an Appellate Tribunal in the correct order:

I. Endeavour made by the Tribunal to dispose of the appeal finally within six months.
II. Receipt of a copy of the order by the aggrieved person.
III. Filing of the appeal within forty-five days.
IV. Order made by the Controller or adjudicating officer.

(A) IV, III, II, I
(B) IV, II, III, I
(C) II, IV, III, I
(D) IV, II, I, III

May/June 2018

47. Read the following oversight functions of the Controller of Certifying Authorities:

I. Duties of the Certifying Authorities.
II. Conditions under which auditors may be appointed.
III. Form and content of a digital signature certificate.
IV. Limits on the amount of damages awarded for unauthorized access.

Which of the above duties or standards does the Controller lay down?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2007

48. Which of the following pairs is correctly matched regarding definitions under the Information Technology Act?

(A) Electronic form - Official Gazette published in electronic format
(B) Cyber security - Protecting information and equipment from unauthorized access
(C) Function - Data stored internally in the

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memory of the computer
(D) License - A practice statement issued by a Certifying Authority

May/June 2024

49. Read the following characteristics of an 'asymmetric crypto system':
I. It consists of a secure key pair.
II. It uses a private key to create a digital signature.
III. It uses a public key to verify the digital signature.
Which of the above characteristics define such a system?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2013

50. Read the following statements regarding the National Nodal Agency:
I. It is designated by the Central Government by notification published in the Official Gazette.
II. It is responsible for the protection of Critical Information Infrastructure.
Which of the above statements is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

May/June 2011

51. Read the following components:
I. Computer network
II. Computer resource
III. Intermediary
IV. Electronic signature
Which of the above are explicitly defined in Section 2 (the definitions section) of the Information Technology Act?
(A) I, II, and III only
(B) I, II, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2020

52. Match the Authorities in List I with their specific powers or functions in List II:
List I: Authorities
P. Adjudicating Officer
Q. Appellate Tribunal
R. Controller
S. National Nodal Agency
List II: Powers/Functions
1. Has powers of a Civil Court
2. Responsible for Research and Development of CII protection
3. Endeavours to dispose of appeals within six months
4. Certifies public keys of Certifying Authorities
(A) P-1, Q-3, R-4, S-2
(B) P-3, Q-1, R-2, S-4
(C) P-4, Q-2, R-1, S-3
(D) P-1, Q-4, R-3, S-2

May/June 2016

53. Which of the following pairs regarding the September 2022 amendments to the exclusions list is incorrectly matched?
(A) Promissory notes issued by RBI regulated entity - Omitted from the First Schedule
(B) Powers-of-attorney empowering SEBI regulated entity - Omitted from the First Schedule
(C) Immovable property sales contracts are newly added exceptions to the First Schedule
(D) Bills of exchange endorsed by IRDAI regulated entity - Omitted from the First Schedule

Oct/Nov 2009

54. Read the following statements regarding penalties, investigation, and protected systems:
I. An adjudicating officer must not be below the rank of a Director to the Government of India.
II. Offences under Chapter XI of the Act are investigated by a Police Officer not below the rank of Inspector.
III. Accessing a protected system in contravention can result in imprisonment up to ten years.
IV. Information security practices for protected systems are prescribed by the State Governments.
Which of the above statements are correct?
(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

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(A) Delivery of Services by Authorized Service Providers
(B) Application of the Act to Electronic Cheque and Truncated Cheque
(C) General Functions and Duties of the Controller
(D) Protection of Systems and Infrastructure

May/June 2009

67. A branch manager reports that someone hacked into the bank's core software, tampering with source documents. The police station assigns a Head Constable to investigate. Is this assignment legally sound?
(A) Yes, any police officer can investigate tampering of source documents under regular criminal procedure.
(B) Yes, provided the adjudicating officer grants special permission to the local Head Constable in charge.
(C) No, offences under the IT Act must be investigated by a Police Officer not below the rank of Inspector.
(D) No, hacking cases can only be investigated directly by the Controller of Certifying Authorities in Delhi.

Oct/Nov 2011

68. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): For retaining an electronic record, details facilitating the identification of origin, destination, date, and time are mandatory, with no exceptions.
Reason (R): The clause requiring origin and destination details does not apply to any information automatically generated solely for enabling an electronic record to be dispatched or received.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2010

69. To streamline its e-governance initiatives, the Central Government seeks expert advice on drafting new data retention rules. Which statutory body is explicitly constituted to advise the Government on such rules under the Information Technology Act?
(A) The National Nodal Agency
(B) The Indian Computer Emergency Response Team
(C) The Telecom Disputes Settlement and Appellate Tribunal
(D) The Cyber Regulation Advisory Committee

Oct/Nov 2024

70. An NBFC regulated by the RBI issues a demand promissory note electronically. Based on the 2022 amendments, does the Information Technology Act apply to this transaction?
(A) No, all negotiable instruments are strictly excluded from the Act regardless of who issues or endorses them.
(B) No, only truncated cheques are covered by the Act; all other promissory notes remain excluded from coverage.
(C) Yes, demand promissory notes issued by RBI regulated entities are no longer excluded from the Act's scope.
(D) Yes, but only if the promissory note is registered with the Controller of Certifying Authorities for security.

May/June 2017

71. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): An adjudicating officer appointed under the Act can summon witnesses and examine evidence similar to a regular court.
Reason (R): The Act confers the powers of a Civil Court upon the adjudicating officer for determining contraventions.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

NODIA

May/June 2012

61. A disgruntled IT consultant downloads a bank's confidential customer database without permission to a removable drive before resigning. Under the Information Technology Act, what specific legal remedy is available to the bank?

(A) The bank can demand cancellation of the consultant's Digital Signature Certificate.
(B) The bank can declare the consultant's personal devices as a protected system.
(C) The bank can seek damages by way of compensation from the consultant under Section 43.
(D) The bank can appeal to the Cyber Regulation Advisory Committee for immediate monetary relief.

Oct/Nov 2022

62. A person creates their Will as an electronic record, signs it with a digital signature, and emails it. Considering the IT Act exclusions, what is the legal status of this electronic Will?

(A) It is invalid as a testamentary disposition is explicitly enumerated as a document to which the Act does not apply.
(B) It is valid as all electronic records have legal sanctity under the core principles of the Information Technology Act.
(C) It is valid provided it is digitally signed using a secure asymmetric crypto system with a registered public key.
(D) It is invalid unless the National Nodal Agency certifies its origin and destination details for the probate court.

May/June 2014

63. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): A party aggrieved by an order of the adjudicating officer can always file an appeal before the Appellate Tribunal within 45 days.

Reason (R): No appeal shall lie to the Appellate Tribunal from an order made by an adjudicating officer with the consent of the parties.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is false, but Reason (R) is true.
(D) Assertion (A) is true, but Reason (R) is false.

Oct/Nov 2006

64. A firm receives an adverse order from an adjudicating officer on March 1st. It files an appeal to the Tribunal on May 10th (over 70 days later). What power does the Tribunal have regarding this delayed filing?

(A) The Tribunal may entertain the appeal after 45 days if satisfied there was sufficient cause for the delay.
(B) The Tribunal must automatically reject the appeal since the 45-day statutory period has legally expired.
(C) The Tribunal can accept the appeal but must impose a mandatory fine equivalent to the total award.
(D) The Tribunal must transfer the delayed appeal to a regular Civil Court for formal condonation of delay.

May/June 2025

65. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.

Assertion (A): The Information Technology Act, 2000 applies to offences committed outside India by any person.

Reason (R): The legal provisions explicitly provide that the Act applies to any offence or contravention thereunder committed outside India by any person if the act involves a computer or network located in India.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2019

66. A bank implements a cheque truncation system. A customer disputes the legality, arguing the IT Act doesn't cover negotiable instruments. Which provision provides the legal basis?

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May/June 2021

55. Read the following functions of the Controller of Certifying Authorities:

I. Specifying the qualifications of Certifying Authority employees.
II. Facilitating the establishment of electronic systems jointly with other Certifying Authorities.
III. Adjudicating civil suits between private individuals and telecom service providers.

Which of the above functions are assigned to the Controller?

(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

Oct/Nov 2010

56. Match the defined terms in List I with their key descriptors in List II:

List I: Terms

P. Originator
Q. Addressee
R. Subscriber
S. Intermediary

List II: Descriptors

1. Person intended to receive the electronic record
2. Person in whose name the Digital Signature Certificate is issued
3. Person who sends, generates, or transmits any electronic message
4. Person who receives, stores or transmits records on behalf of another

(A) P-3, Q-1, R-2, S-4
(B) P-1, Q-3, R-4, S-2
(C) P-4, Q-2, R-1, S-3
(D) P-3, Q-4, R-2, S-1

May/June 2019

57. Read the following statements regarding the features of the Information Technology Act, 2000:

I. It gives legal recognition to electronic records and electronic signatures.
II. It facilitates electronic filing of documents with Government agencies.
III. It applies exclusively to citizens residing within the territory of India.
IV. It recognizes foreign Certifying Authorities.
V. It was passed by both houses of Parliament in May 2000.

Which of the above statements correctly reflect the core features of the Act?

(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

Oct/Nov 2018

58. Which of the following pairs concerning the definition of 'appropriate Government' is incorrectly matched?

(A) Matters enumerated in List II of the Seventh Schedule - Central Government
(B) Matters enumerated in List II of the Seventh Schedule - State Government
(C) Matters relating to any State law enacted under List III - State Government
(D) Any other case not in List II or List III - Central Government

May/June 2007

59. Read the following elements related to a 'computer network':

I. Interconnection through satellite, microwave, or terrestrial line.
II. Terminals continuously maintained.
III. Complex consisting of two or more interconnected computers.
IV. Interconnection that is not continuously maintained.

Which of the above elements are included in the definition of a computer network?

(A) I, II, and III only
(B) II, III, and IV only
(C) I, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2016

60. Read the following statements regarding the notification process for regulatory changes under Section 81A:

I. Notifications made by the Central Government under this section must be laid before each House of Parliament.
II. The total period for the notification to be in session before Parliament is sixty days.

Which of the above statements is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

NODIA

Oct/Nov 2005

72. A newly established Certifying Authority (CA) in India wishes to formulate its guidelines and audit processes. To ensure compliance, whose specified standards and conditions must the CA strictly adhere to?
(A) The Indian Computer Emergency Response Team
(B) The National Nodal Agency
(C) The Telecom Disputes Settlement and Appellate Tribunal
(D) The Controller of Certifying Authorities

May/June 2020

73. A Certifying Authority faces a severe conflict of interest dispute with one of its major corporate subscribers regarding the issuance practices of Digital Signature Certificates. Who holds the statutory authority to resolve such operational and standard-related issues?
(A) The Adjudicating Officer
(B) The Controller of Certifying Authorities
(C) The Appellate Tribunal
(D) The Cyber Regulation Advisory Committee

Oct/Nov 2015

74. A web-hosting company provides server space to a retail business but does not initiate or alter the electronic records stored on its servers. Under the Information Technology Act, what legal designation applies to the web-hosting company in this context?
(A) Originator
(B) Addressee
(C) Certifying Authority
(D) Intermediary

May/June 2013

75. A corporate entity wishes to form a binding contract with a supplier through email exchanges. The supplier argues that without a physical signature, it lacks validity. According to the IT Act, which principle resolves this?
(A) Electronic contracts are legally valid and enforceable unless otherwise agreed by both parties.
(B) Electronic contracts are invalid unless registered with the Office of the Controller of Certifying Authorities.
(C) Contracts are valid only if both parties use a secure communication system approved by the Nodal Agency.
(D) Electronic contracts are only recognized for official government tenders and not for private corporate entities.

Oct/Nov 2021

76. A bank maintains records electronically but lacks automatically generated router logs used for data dispatch. Is the bank's record retention valid under the Act?
(A) No, all details including automatically generated dispatch logs must be retained for audit without exception.
(B) No, legal retention applies only to government agencies, so the bank must maintain physical backup ledgers.
(C) No, provided the bank obtained a special exemption from the Cyber Regulation Advisory Committee for logs.
(D) Yes, the law excludes automatically generated records used only for enabling data transmission or receipt.

May/June 2006

77. A developer deletes proprietary source code and conceals backup drives. Which specific clause under Section 43 of the Act addresses this action regarding source code?
(A) Clause regarding unauthorized access to restricted data
(B) Clause regarding disrupting a registered computer network
(C) Clause regarding stealing, destroying or altering computer source code
(D) Clause regarding diminishing the utility of information

Oct/Nov 2017

78. The following question consists of two statements, one labeled as Assertion (A) and the other as Reason (R). Examine these two statements carefully and select the correct answer.
Assertion (A): Contracts for the sale or conveyance of immovable property can, in specific circumstances, be executed electronically under the legal framework of the Information Technology Act.
Reason (R): The September 26, 2022 amendment to the exclusions schedule omitted contracts for sale or conveyance of immovable property from the list of documents to which the Act does not apply.

NODIA

is typically handled under different regulatory or criminal sections of the Act. Compensation under Section 43 is primarily focused on direct damage or disruption to computer resources.

44. (A) Only I
Any person aggrieved by an order of the adjudicating officer has the right to file an appeal under Section 57. However, the law explicitly states that no appeal shall lie to the Appellate Tribunal if the order was made with the consent of the parties. This ensures that mutually agreed-upon settlements are final and cannot be reopened through the appellate process.

45. (D) I, II, III, IV, and V
Section 43 provides a comprehensive list of actions that attract liability for compensation. These include downloading data, introducing contaminants, disrupting systems, tampering with accounts to charge others, and destroying information to diminish its value. Anyone performing these acts without permission is liable to pay damages to the affected party, ensuring financial accountability for various forms of digital misconduct and unauthorized data manipulation.

46. (B) IV, II, III, I
The appellate process begins with an order made by the Controller or adjudicating officer. Next, the aggrieved person receives a copy of this order. The individual then has forty-five days to file an appeal to the Tribunal. Finally, the Tribunal must endeavour to dispose of the appeal within six months. This sequence ensures a structured and time-bound legal review of administrative decisions.

47. (A) I, II, and III only
The Controller of Certifying Authorities is responsible for defining the duties of Certifying Authorities and the conditions for auditors. It also specifies the form and content of digital signature certificates. However, the Controller does not set limits on damages for unauthorized access, as these are determined by adjudicating officers based on the specific circumstances and losses incurred in each case.

48. (B) Cyber security - Protecting information and equipment from unauthorized access
Section 2 provides specific legal definitions for terms used throughout the Act. Cyber security is defined as the protection of information, computer resources, and devices from unauthorized access or destruction. The other pairs are incorrect; for instance, “function” refers to the actions performed by the computer, and “license” refers to the authorization granted to a Certifying Authority to issue certificates.

49. (D) I, II, and III
An asymmetric crypto system is defined by its use of a secure key pair. This system employs a private key to create a unique digital signature and a mathematically related public key to verify that signature. These three characteristics are fundamental to the operational security and legal recognition of digital signatures, ensuring that electronic records can be authenticated and protected against tampering.

50. (C) Both I and II
The Central Government has the statutory authority to notify a National Nodal Agency. This agency is specifically responsible for the protection of Critical Information Infrastructure. By establishing a dedicated body, the government ensures a coordinated and specialized approach to safeguarding the most vital digital systems that support the nation’s security, economy, and public safety from potential cyber threats and disruptions.

51. (D) I, II, III, and IV
Section 2 of the Information Technology Act serves as the primary repository for legal definitions. It explicitly defines computer networks, computer resources, intermediaries, and electronic signatures. These definitions provide the necessary legal foundation for the entire Act, ensuring that all stakeholders, including law enforcement and the judiciary, have a consistent understanding of the technical terms and entities regulated under the law.

52. (A) P-1, Q-3, R-4, S-2
Each authority has a distinct role. Adjudicating officers possess the powers of a civil court to determine contraventions. The Appellate Tribunal aims to resolve appeals within six

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ANSWERS

1. (C) 2008, 2017, 2022
The Information Technology Act, 2000 has undergone various legislative updates since its inception. Key amendments occurred in 2008, introducing significant cybercrime provisions. The Finance Act of 2017 restructured the appellate process. Most recently, the Gazette notification in September 2022 significantly modified the First Schedule, removing specific document exclusions for entities regulated by designated financial sector authorities.

2. (C) The offences must be investigated by a Police Officer not below the rank of Sub-Inspector.
The legal framework specifies strict protocols for investigating cybercrimes. According to Section 78, any police officer investigating offences under this Act must hold a rank not lower than Inspector. The previous requirement of a Deputy Superintendent of Police was amended to ensure that designated officials handle complex digital evidence and technical investigations related to computer source documents and electronic obscenity.

3. (C) A secure key pair using a private key for signatures and a public key for verification
An asymmetric crypto system relies on a mathematically related pair of keys. The private key remains confidential and is used by the subscriber to create a digital signature. Conversely, the public key is shared through a certificate to allow third parties to verify the authenticity and integrity of the electronically signed records during digital transactions.

4. (C) Telecom Regulatory Authority of India
The 2022 amendment to the First Schedule defines regulatory authorities to include specific financial bodies. These include the Reserve Bank of India, the Securities and Exchange Board of India, and the Insurance Regulatory and Development Authority of India. The Telecom Regulatory Authority of India is excluded from this specific list, meaning documents involving it remain under the original schedule exclusions.

5. (B) Payment of damages by way of compensation to the affected person
Section 43 addresses civil liability for unauthorized activities involving computer systems. Individuals who access data, introduce contaminants, or disrupt networks without permission are liable to pay damages by way of compensation. Unlike criminal offences that lead to imprisonment, these provisions focus on providing financial restitution to the person or entity affected by the unauthorized digital actions.

6. (B) The Negotiable Instruments Act, 1881
Although the Information Technology Act facilitates the use of electronic cheques, the primary legal definitions for electronic and truncated cheques are found in the Negotiable Instruments Act, 1881. Section 81A ensures that the electronic framework applies to these instruments, provided they meet the standards established under the traditional banking and negotiable instrument laws of India.

7. (B) Access
Under the definitions provided in Section 2, the term access refers to the process of gaining entry into or communicating with the various resources of a computer system. This includes interacting with logical, arithmetical, or memory functions. Establishing such a clear definition is essential for identifying unauthorized entry and determining liabilities related to computer-based contraventions and crimes.

8. (B) The Government may notify a computer resource affecting critical infrastructure as a protected system.
Section 70 empowers the appropriate government to declare any computer resource as a protected system. This designation is typically reserved for critical information infrastructure whose incapacitation would negatively impact national security, economy, or public health. Unauthorized access to these notified systems is a severe offence, carrying much higher penalties

NODIA

26. (D) Protecting information and computer resources from unauthorized access, use, or destruction
Cyber security is defined under Section 2 as the protection of information, devices, and computer resources from unauthorized access, use, disclosure, disruption, modification, or destruction. This comprehensive definition encompasses the various technical and administrative measures required to maintain the confidentiality, integrity, and availability of digital data and infrastructure against potential cyber threats and unauthorized intrusions within the electronic domain.

27. (A) To accord legal sanctity to electronic records and activities carried out by electronic means.
The Information Technology Act, 2000 was enacted to provide legal recognition for transactions carried out via electronic data interchange. Its primary objective is to give electronic records and digital signatures the same legal status as their paper-based counterparts. This facilitates the growth of e-commerce and electronic governance by providing a secure and legally enforceable framework for digital communications.

28. (A) The information is usable for reference and remains in its original generated format.
Under Section 7, electronic records satisfy legal retention requirements if three conditions are met. First, the information must remain accessible for subsequent reference. Second, it must be retained in its original format or one that accurately represents the data. Third, details identifying the origin, destination, and timing of the dispatch or receipt must be preserved to ensure auditability.

29. (C) Calculators which are not programmable
The Act defines a computer system as a device or group of devices containing peripheral equipment that performs logic and arithmetic functions. While this definition is broad, it explicitly excludes non-programmable calculators. This distinction ensures that simple arithmetic devices are not subjected to the complex legal regulations and liabilities that govern programmable computers, networks, and sophisticated digital processing systems.

30. (D) Laying down the standards to be maintained by Certifying Authorities.
The Controller of Certifying Authorities is responsible for supervising the activities of Certifying Authorities. This includes laying down the standards they must maintain and specifying the conditions for their employees. By regulating these entities, the Controller ensures the reliability and security of the digital signature infrastructure, which is vital for maintaining trust in electronic transactions across the country.

31. (A) P-4, Q-3, R-2, S-1
The First Schedule of the Act refers to several traditional statutes when defining excluded documents. Negotiable instruments are governed by the Negotiable Instruments Act, 1881. Powers-of-attorney relate to the Powers-of-Attorney Act, 1882. Trust deeds are defined by the Indian Trust Act, 1882, and wills fall under the Indian Succession Act, 1925. Matching these documents correctly is essential for legal clarity.

32. (D) I, II, and III
The September 26, 2022 amendment significantly narrowed the exclusions in the First Schedule. It omitted negotiable instruments, powers-of-attorney, and trust deeds from the excluded list, provided they involve entities regulated by authorities like the RBI, SEBI, or IRDAI. This change allows for the digital execution of these sensitive documents within the regulated financial sector, promoting more efficient electronic operations.

33. (A) P-3, Q-4, R-1, S-2
Each section mentioned deals with a specific legal domain. Section 43 provides penalties for damaging computer systems. Section 48 relates to the establishment of the Appellate Tribunal. Section 70 governs protected systems and critical information infrastructure. Finally, Section 81A addresses the application of the Act to electronic cheques and truncated cheques, ensuring their legal validity within the digital framework.

34. (D) I, II, III, and IV
Prior to recent regulatory updates, the Information Technology Act explicitly did not apply to negotiable instruments (excluding cheques), powers-of-attorney, trust deeds, and wills. These documents were listed in the First

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powers-of-attorney, trusts, and wills. These exclusions were meant to preserve traditional formalities for sensitive transactions. However, contracts for the sale of goods and merchandise were never listed as exclusions. Such commercial contracts have always been eligible for legal recognition under the electronic framework since the Act's inception.

18. (A) 45 days
Any person aggrieved by an order from the Controller or an adjudicating officer may file an appeal to the Appellate Tribunal. Section 57 mandates that such appeals must be preferred within forty-five days from the date of receiving the order. While the Tribunal has the power to condone delays for sufficient cause, the statutory limit ensures timely dispute resolution.

19. (D) The Act does not apply to any contract for the sale or conveyance of immovable property.
Following the September 2022 amendment, the exclusion regarding contracts for the sale or conveyance of immovable property was omitted from the First Schedule. This means the Information Technology Act can now apply to such property-related documents, specifically when involving regulated entities. Therefore, stating that the Act categorically does not apply to any immovable property contract is currently legally incorrect.

20. (A) The Tribunal shall endeavour to finally dispose of the appeal within six months.
To ensure efficient legal proceedings, Section 59 specifies that the Appellate Tribunal should aim to resolve appeals promptly. The statutory target is to dispose of the appeal finally within six months from the date of its receipt. This mandate highlights the importance of fast-tracked justice in the digital economy, where delays can have significant impacts on technological operations.

21. (C) To manage research and development relating to the protection of Critical Information Infrastructure.
The Central Government designates a National Nodal Agency under Section 70A to oversee the protection of critical information infrastructure. Its primary role involves coordinating all activities related to cybersecurity for these essential systems. This includes conducting research, development, and standardizing protective measures to prevent incapacitation that could threaten national security, public safety, or the country's economic stability.

22. (B) June 2000
The Information Technology Bill was passed by the Indian Parliament and subsequently received the formal assent of the President of India in June 2000. This enactment marked a significant milestone in Indian law, providing the first comprehensive legal framework for electronic commerce, digital signatures, and the prosecution of various cybercrimes within the rapidly growing digital landscape of the country.

23. (D) By utilizing an asymmetric crypto system where a private key creates the signature and a mathematically related public key verifies it.
The Act provides a robust method for authenticating electronic records through digital signatures. This system uses asymmetric cryptography, involving a unique private key known only to the subscriber and a corresponding public key. The private key encrypts a hash of the document to create the signature, while the public key allows anyone to verify that the signature is authentic.

24. (D) Attempting to access an officially notified protected system
Section 43 lists various unauthorized acts that result in civil liability and compensation, including introducing contaminants, destroying information, or disrupting systems. However, unauthorized access to a protected system falls under Section 70, which is a criminal offence punishable by imprisonment and fines. Because it involves critical infrastructure, it is treated as a crime rather than a matter for civil damages.

25. (B) It explicitly includes the originator and the addressee of the electronic record.
According to Section 2, an intermediary is a person who receives, stores, or transmits electronic records on behalf of another. Examples include telecom providers, search engines, and web-hosting services. Crucially, the definition specifically excludes the originator who sends the message and the addressee who receives it, as they are the primary parties to the digital communication being facilitated.

NODIA

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

May/June 2008

79. An unauthorized individual attempts to secure access to the central servers of a bank, which are notified as a 'protected system'. If convicted under Section 70, what is the maximum statutory penalty?
(A) Payment of damages by way of compensation to the bank as determined by an adjudicating officer.
(B) Imprisonment of either description for a term which may extend to ten years and a fine.
(C) Imprisonment up to three years or a penalty of up to five lakh rupees for unauthorized system access.
(D) Confiscation of all computer resources owned by the individual with no mandatory term of imprisonment.

Oct/Nov 2008

80. Two parties execute a contract for the sale of a commercial property entirely through a digitally signed electronic agreement. Referring to the current regulatory status (post-2022 amendments), what is the legal status of this contract?
(A) It is valid because the entry excluding contracts for immovable property was omitted from the schedule.
(B) It is legally invalid because the Act explicitly excludes any contract for the sale or conveyance of property.
(C) It is legally valid only if it involves an entity regulated by the Securities and Exchange Board of India.
(D) It is legally invalid because digital signatures cannot be affixed to property documents under any circumstance.

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Schedule to ensure they followed traditional physical signing and witnessing requirements. The legal framework has since been updated to permit electronic versions of some of these documents in specific circumstances.

35. (C) Both I and II
A secure system, as defined in Section 2, must meet two primary criteria. It must be reasonably secure from unauthorized access and misuse, and it must provide a reasonable level of reliability and correct operation. Furthermore, the system must adhere to generally accepted security procedures. These requirements ensure that the digital infrastructure used for sensitive electronic records is robust and trustworthy.

36. (A) I, II, III, and IV only
The 2022 Gazette notification omitted demand promissory notes, bills of exchange, powers-of-attorney, and contracts for the sale of immovable property from the First Schedule's exclusions. This omission applies when such documents involve specific regulated financial entities. However, wills remain in the First Schedule, meaning they are still excluded from the Act's application and must be executed in traditional physical form.

37. (A) II, IV, I, III
Chronologically, the UN Model Law was adopted first in 1996. The Information Technology Bill was then passed by the Indian Parliament in May 2000 and received presidential assent in June 2000. The first major formal update, the Amendment Act of 2008, occurred several years later. Following this order shows the progression from international guidance to national enactment and subsequent evolution.

38. (D) I, II, and III
Legal satisfaction for retaining electronic records requires meeting multiple conditions. The information must remain accessible for future reference, and the record must be kept in its original format or one that accurately reflects the original data. Additionally, metadata facilitating the identification of the origin, destination, and the specific date and time of the transmission must be available for audit.

39. (A) I, II, and III only
Currently, the Telecom Disputes Settlement and Appellate Tribunal serves as the appellate body for the Act, a change instituted by the Finance Act, 2017. The Central Government specifies the jurisdiction and matters handled by this tribunal. However, the tribunal is not bound by the procedure laid down by the Code of Civil Procedure; it follows principles of natural justice and its own established legal procedures.

40. (D) Introducing a computer virus - Damages by way of compensation
Section 43 establishes civil liability for specific unauthorized acts. One such act is the introduction of a computer contaminant or virus into a computer network. The prescribed legal remedy for this contravention is the payment of damages by way of compensation to the affected person. Other matches provided, such as ten-year imprisonment for stealing code, do not align with Section 43's civil nature.

NODIA

41. (A) I, II, III, and V only
The appropriate government notifies protected systems that involve critical information infrastructure. Incapacitating these systems would harm national security, the economy, or public health. While the government authorizes access, breaching such a system is a crime punishable by imprisonment and fines. Statement IV is incorrect because security practices are generally prescribed by the Central Government, not exclusively by State Governments.

42. (A) P-3, Q-1, R-4, S-2
In an asymmetric crypto system, the private key is used to create a digital signature, while the public key is used for verification. Together, they form a mathematically related key pair. The entire system ensures secure electronic transactions. The public key is typically listed in the digital signature certificate, allowing any recipient to authenticate the subscriber's electronic records and identity.

43. (A) I and II only
Section 43 specifically covers acts like denying access to an authorized person and introducing computer contaminants or viruses. These actions create civil liability for damages. While publishing false certification statements is a violation, it

than unauthorized access to regular computer systems or networks.

9. (B) Formulating the monetary policy guidelines for online payment sites
The Controller of Certifying Authorities performs several oversight functions, such as certifying public keys and specifying standards for digital signature certificates. However, the formulation of monetary policy for online payments falls outside its statutory jurisdiction. Such financial regulations are managed by the Reserve Bank of India rather than the authority responsible for regulating the digital signature infrastructure.

10. (C) The Act applies to any offence or contravention thereunder committed outside India by any person.
Section 75 establishes extraterritorial jurisdiction, ensuring that the legal framework applies to offences committed outside India. This application is valid provided the act involves a computer, computer system, or network located within Indian territory. This allows Indian law enforcement to address cybercrimes regardless of the perpetrator's physical location, as long as the digital infrastructure in India is impacted.

11. (D) To advise the Government on rules or any other purpose connected with the Information Technology Act.
The Cyber Regulation Advisory Committee is a specialized body constituted under Section 88. Its primary mandate is to provide expert advice to the Central Government regarding the formulation of rules and other regulatory matters. The committee includes representatives from various stakeholders to ensure that the evolving technological landscape is adequately reflected in the administration of the Act.

12. (D) 16 December 1996
The Information Technology Act is based on the Model Law on Electronic Commerce adopted by the United Nations Commission on International Trade Law. This landmark resolution, A/RES/51/162, was officially adopted on 16 December 1996. It aimed to provide a uniform set of international rules to give electronic communications the same legal status as traditional paper-based documents and records.

13. (A) The adjudicating officer must be below the rank of a Director to the Government of India.
Adjudicating officers are appointed to determine whether any person has contravened the provisions of the Act. According to Section 46, such an officer must not be below the rank of a Director to the Government of India. This ensures that the individuals making legal determinations on technical violations possess sufficient administrative experience and seniority within the government structure.

14. (C) The Bankers' Books Evidence Act, 1891
To support the digital transition, several existing statutes were modified. The Bankers' Books Evidence Act, 1891, was amended to include electronic records within the definition of bankers' books. This structural change allows banks to present digital records as evidence in legal proceedings, ensuring that electronic transactions are treated with the same evidentiary value as traditional physical ledgers.

15. (D) Whether the signature was created using a private key matching the public key and remained intact.
Verifying an electronic record involves a mathematical process using the asymmetric crypto system. It determines if the digital signature was created by a specific private key that corresponds to the public key listed in the certificate. Additionally, the process checks if the initial electronic record has been altered since the signature was affixed, ensuring data integrity and non-repudiation.

16. (A) Telecom Disputes Settlement and Appellate Tribunal
Originally, the Act provided for a dedicated Cyber Appellate Tribunal. However, through the Finance Act of 2017, the appellate functions were transferred to the Telecom Disputes Settlement and Appellate Tribunal. This body now hears appeals against orders passed by the Controller of Certifying Authorities or the adjudicating officers, streamlining the judicial oversight process for various technology-related sectors.

17. (A) A contract for the sale of goods and merchandise
The First Schedule of the Act originally excluded specific documents like negotiable instruments,

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months. The Controller is responsible for certifying the public keys of all licensed Certifying Authorities. Finally, the National Nodal Agency focuses on research and development for the protection of critical information infrastructure across the country.

53. (C) Immovable property sales contracts are newly added exceptions to the First Schedule
The September 2022 amendment actually omitted contracts for the sale of immovable property from the First Schedule's list of exclusions when they involve regulated entities. This change means they are now covered by the Act rather than being excluded. Therefore, claiming they were newly added exceptions is incorrect, as the amendment moved them from an excluded status to a legally recognized electronic status.

54. (A) I, II, and III only
Adjudicating officers must be senior officials, and IT Act offences must be investigated by police officers of Inspector rank or higher. Accessing protected systems is a major offence punishable by up to ten years in prison. Statement IV is incorrect because the Central Government, not State Governments, typically prescribes the information security practices and standards for these highly sensitive protected computer systems.

55. (I) I and II only
The Controller's functions include specifying employee qualifications for Certifying Authorities and facilitating the establishment of electronic systems with other authorities. These roles ensure the operational integrity of the digital signature framework. However, the Controller does not adjudicate civil suits between private individuals and telecom providers; such disputes are typically handled by adjudicating officers or specialized tribunals like the TDSAT.

56. (A) P-3, Q-1, R-2, S-4
Under the Act, an originator is the person who sends or generates an electronic message. The addressee is the person intended to receive it. A subscriber is the individual in whose name a Digital Signature Certificate is issued. Lastly, an intermediary is any person who receives, stores, or transmits electronic records on behalf of others, such as service or network providers.

57. (B) I, II, IV, and V only
The Act provides legal recognition for electronic records and signatures and facilitates e-governance through electronic filing. It recognizes foreign Certifying Authorities and was passed in May 2000. Statement III is incorrect because the Act has extraterritorial jurisdiction, meaning it applies to any person, regardless of citizenship or residency, if their offence involves a computer or network located in India.

58. (A) Matters enumerated in List II of the Seventh Schedule - Central Government
The definition of appropriate government depends on the constitutional division of powers. For matters in the State List (List II) or laws enacted under the Concurrent List (List III) by a State, the State Government is the appropriate authority. For all other cases, including the Union List and residuary matters, the Central Government is the appropriate government. Therefore, pairing List II with the Central Government is incorrect.

59. (D) I, II, III, and IV
A computer network is defined as a complex consisting of two or more interconnected computers. This interconnection can be through satellites, microwaves, or terrestrial lines. The definition is inclusive, covering connections that are either continuously maintained or those that are not. This broad scope ensures that various types of digital communication infrastructures are subject to the legal regulations and protections of the Act.

60. (A) Only I
Section 81A requires that notifications made by the Central Government be laid before both Houses of Parliament. This ensures legislative oversight of regulatory changes. However, the total period for the notification to be in session is thirty days, not sixty. This thirty-day period allows Parliament to review, modify, or annul the notification, maintaining a balance between executive action and legislative control.

61. (C) The bank can seek damages by way of compensation from the consultant under Section 43.
Section 43 provides a civil remedy for unauthorized data downloading. Since the consultant downloaded the confidential database

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without permission, the bank is entitled to seek damages by way of compensation. This process involves filing a petition before an adjudicating officer, who will determine the extent of the loss and the appropriate financial restitution required to compensate the bank for the unauthorized access.

62. (A) It is invalid as a testamentary disposition is explicitly enumerated as a document to which the Act does not apply.
Despite the broad legal recognition of electronic records, certain documents remain excluded under the First Schedule. Wills and other testamentary dispositions are specifically listed as documents to which the Act does not apply. Therefore, a Will created and signed only in electronic form lacks legal validity in India, as it must still follow traditional physical execution requirements to be legally enforceable.

63. (C) Assertion (A) is false, but Reason (R) is true.
While aggrieved parties generally have 45 days to file an appeal, this right is not absolute. The Act explicitly prohibits appeals against orders that were made with the consent of both parties. Therefore, the assertion that a party can always file an appeal is false. The reason correctly identifies the statutory exception that prevents the appellate review of consent-based orders and decisions.

64. (A) The Tribunal may entertain the appeal after 45 days if satisfied there was sufficient cause for the delay.
Section 57 sets a 45-day limit for filing appeals, but it also grants the Tribunal discretionary power to condone delays. If the appellant demonstrates a sufficient cause for the delay, such as medical emergencies or legal hurdles, the Tribunal can entertain the appeal even after the statutory period has expired. This provision ensures that justice is not denied solely due to procedural timelines.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The Act possesses extraterritorial jurisdiction as stated in Section 75. It applies to any person committing an offence outside India, provided that the act involves a computer resource located within India. The reason perfectly explains why the assertion is true by highlighting the specific legal condition required for the Act to apply beyond the physical geographical boundaries of the Indian territory.

NODIA

66. (B) Application of the Act to Electronic Cheque and Truncated Cheque
Section 81A was specifically introduced to bridge the gap between electronic commerce and traditional banking laws. It provides the legal basis for applying the Information Technology Act to electronic and truncated cheques. This section ensures that these modern banking instruments are legally valid, facilitating the truncation process and allowing banks to process cheques digitally while remaining within a clear statutory framework.

67. (C) No, offences under the IT Act must be investigated by a Police Officer not below the rank of Inspector.
Section 78 of the Act mandates that investigations into cyber offences, such as hacking or tampering with source documents, must be conducted by a police officer of the rank of Inspector or above. Assigning a Head Constable is legally invalid under this specialized framework. This requirement ensures that officers with adequate seniority and expertise handle the technical complexities inherent in digital forensic investigations.

68. (D) Assertion (A) is false, but Reason (R) is true.
The assertion that origin and destination details are mandatory with no exceptions is false. Section 7 provides a specific exception for information that is automatically generated solely for the purpose of enabling a record to be dispatched or received. This reason correctly identifies the legal carve-out, ensuring that routine transmission data does not need to be retained to satisfy legal requirements.

69. (D) The Cyber Regulation Advisory Committee
Section 88 establishes the Cyber Regulation Advisory Committee specifically to advise the Central Government on the formulation of rules. When the government needs expert guidance on complex issues like data retention, it consults this body. The committee includes diverse experts to ensure that regulatory decisions are

well-informed and practically applicable to the evolving technological and legal needs of the digital economy.

70. (C) Yes, demand promissory notes issued by RBI regulated entities are no longer excluded from the Act's scope.
Following the September 2022 amendment to the First Schedule, demand promissory notes were omitted from the list of excluded documents when they involve entities regulated by the Reserve Bank of India. This means such notes can now be legally issued and processed in electronic form. This regulatory shift modernizes financial transactions by allowing regulated entities to utilize the Act's digital signature framework.

71. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Under Section 46, an adjudicating officer has the authority to hold inquiries into contraventions. To facilitate this, the Act grants them the powers of a Civil Court, including summoning witnesses and requiring the production of evidence. The reason correctly explains that these judicial powers are granted specifically to enable the officer to effectively determine whether the provisions of the Act were violated.

72. (D) The Controller of Certifying Authorities
The Controller of Certifying Authorities is the primary regulatory body for digital signature infrastructure in India. Section 18 mandates that the Controller lay down the standards, duties, and conditions that all Certifying Authorities must follow. Therefore, any new authority must ensure its guidelines and internal processes strictly adhere to the standards specified by the Controller to maintain legal compliance and operational security.

73. (B) The Controller of Certifying Authorities
The Controller of Certifying Authorities holds the statutory role of supervising and regulating these entities. Under Section 18, the Controller's functions include resolving conflicts regarding issuance practices and ensuring that authorities maintain prescribed standards. This oversight is crucial for maintaining the integrity of the digital signature system, providing a centralized authority to handle operational disputes and standard-related issues within the industry.

74. (D) Intermediary
A web-hosting company that stores electronic records without initiating or modifying the content acts as an intermediary. According to the definition in Section 2, intermediaries include persons who receive, store, or transmit records on behalf of others. This designation is significant because it provides certain legal protections and defines the due diligence requirements the company must follow to avoid liability for third-party content.

75. (A) Electronic contracts are legally valid and enforceable unless otherwise agreed by both parties.
Section 10A confirms the validity of contracts formed through electronic means. It stipulates that where a contract is formed through electronic records, it shall not be deemed unenforceable solely because electronic means were used. This provides the legal principle that email exchanges and digital signatures create binding agreements, effectively addressing the supplier's concern and supporting the modernization of corporate contracting processes.

76. (D) Yes, the law excludes automatically generated records used only for enabling data transmission or receipt.
Section 7, which governs the retention of electronic records, provides a specific exception for certain types of data. It states that the requirement to retain details of origin and destination does not apply to information that is automatically generated solely for the purpose of enabling the record to be dispatched or received. Therefore, the bank's retention remains legally valid even without these transmission logs.

77. (C) Clause regarding stealing, destroying or altering computer source code
Section 43(i) specifically addresses unauthorized actions involving computer source code. It states that if any person steals, conceals, destroys, or alters any computer source code used for a computer, computer system, or computer network without permission, they are liable to pay damages. Deleting proprietary source code and concealing backups directly triggers this

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(A) Any election held under the Representation of the People Act specifically for selecting Members of Parliament.
(B) Any election held under law for selecting members of Parliament, Legislatures, or public authorities.
(C) Any election held strictly for the purpose of selecting members of a State Legislative assembly or council.
(D) Any election conducted by the Election Commission of India for the purpose of filling various public offices.

Oct/Nov 2022

8. Which statement is true regarding the punishment for 'attempting' to commit an offence under Section 15 of the Prevention of Corruption Act, 1988?
(A) It is punishable only with a monetary fine, without any mandatory term of imprisonment.
(B) Imprisonment for a term between two and five years along with a fine.
(C) It carries the same exact punishment as the actual commission of the offence under Section 13.
(D) Attempt to commit an offence is not punishable under the specific provisions of the Prevention of Corruption Act.

May/June 2018

9. Under Section 17 of the Prevention of Corruption Act, 1988, which of the following police officers is NOT authorized by default to investigate an offence without the order of a Metropolitan Magistrate or a Magistrate of the first class?
(A) An Inspector of Police in the Delhi Special Police Establishment
(B) A Sub-Inspector of Police stationed in a rural district
(C) An Assistant Commissioner of Police in the metropolitan areas of Bombay, Calcutta, Madras, and Ahmedabad
(D) A Deputy Superintendent of Police elsewhere

Oct/Nov 2016

10. Which of the following accurately describes the legal position regarding the transfer of cases presided over by a Special Judge under the Prevention of Corruption Act, 1988?
(A) A case can be freely transferred from a Special Judge to the High Court directly for expedited trial.
(B) The Supreme Court has unconditional powers to transfer cases from a Special Judge to any regular criminal court.
(C) A case triable by a Special Judge can only be transferred to another Special Judge.
(D) Cases under the Act cannot be transferred to any other court under any circumstances once the trial has commenced.

NODIA

May/June 2014

11. In determining whether the absence of, or any error in, a sanction has resulted in a failure of justice under Section 19(4) of the Prevention of Corruption Act, 1988, what must the court primarily have regard to?
(A) The professional rank and seniority of the investigating police officer assigned to the case.
(B) The total amount of bribe money or value of undue advantage involved in the alleged offence.
(C) The total number of witnesses presented by the prosecution to establish the guilt of the accused.
(D) Whether the objection could have been raised at an earlier stage in the proceedings.

Oct/Nov 2007

12. In which year were the 'Standard Operating Procedures (SOP)' for processing cases under Section 17A officially issued by the Ministry of Personnel, Public Grievances and Pensions?
(A) 2013
(B) 2018
(C) 2019
(D) 2021

May/June 2025

13. Identify the INCORRECT statement regarding cases that may be tried by Special Judges under Section 4 of the Prevention of Corruption Act, 1988.
(A) The trial must be concluded within a strict, non-extendable period of one year.
(B) Offences specified in sub-section (1) of Section 3 shall be tried by Special Judges only.
(C) The Special Judge can also try any other offence under which the accused may be charged under the Code of Criminal

CHAPTER 34

The Prevention of Corruption Act, 1988

May/June 2012

1. What is the minimum punishment prescribed under Section 14 for a habitual offender who is convicted initially of an offence under the Prevention of Corruption Act, 1988, and subsequently commits another similar offence?
(A) Imprisonment for not less than three years
(B) Imprisonment for not less than four years
(C) Imprisonment for not less than five years
(D) Imprisonment for not less than seven years

Oct/Nov 2014

2. Which of the following descriptions of offences and penalties is INCORRECT based on the provisions of Sections 7 to 15 of the Prevention of Corruption Act, 1988?
(A) Section 7: Where the public servant is bribed — punishable with imprisonment of 3 to 7 years and fine.
(B) Section 9: Offence relating to bribing a public servant by a commercial organization — punishable with fine.
(C) Section 11: Public servant obtaining undue advantage without consideration — imprisonment for 3 to 7 years.
(D) Section 12: Punishment for abetment of offences — punishable with imprisonment of 3 to 7 years and fine.

May/June 2019

3. Under Section 2d of the Prevention of Corruption Act, 1988, how is "undue advantage" defined?
(A) Only pecuniary gratifications estimable in money
(B) Any remuneration received from a foreign government
(C) Any gratification whatever, other than legal remuneration
(D) Financial gifts exceeding the limit permitted by the Government

Oct/Nov 2006

4. Which entity or person is NOT explicitly covered under the definition of "State" in the Explanation to Section 2b of the Prevention of Corruption Act, 1988?
(A) A corporation established by a Central Act
(B) An authority owned or controlled by the Government
(C) A purely private multinational corporation with no government aid
(D) A Government company as defined in section 617 of the Companies Act, 1956

May/June 2021

5. What is the consequence of an error or omission in the sanction for prosecution granted by the authority under Section 19 of the Prevention of Corruption Act, 1988, if it is challenged in an appeal?
(A) The proceedings are immediately stayed by the court and the entire trial is ordered to start de novo.
(B) Finding or sentence shall not be altered unless the court believes a failure of justice has been occasioned.
(C) The accused is automatically acquitted and the investigating officer is penalized for administrative negligence.
(D) The sanction must be re-obtained within 30 days, failing which the case is dismissed by the Special Judge.

Oct/Nov 2010

6. Under Section 27 of the Prevention of Corruption Act, 1988, when dealing with judgements of a special judge, the High Court exercises its powers of appeal and revision as if the court of the special Judge were which of the following?
(A) A District Munsif Court
(B) A Court of Session
(C) A Chief Judicial Magistrate Court
(D) A High Court Division Bench

May/June 2005

7. As per Section 2a of the Prevention of Corruption Act, 1988, which of the following best defines the term "election"?

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a senior officer of that rank.
(B) Any police officer, regardless of their rank or designation, can inspect bankers' books without any prior authorization.
(C) The bank can refuse to provide certified copies of entries if the account holder does not provide written consent.
(D) The term "bankers' books" is defined strictly according to the provisions of the Reserve Bank of India Act, 1934.

May/June 2020

21. According to Section 19 of the Prevention of Corruption Act, 1988, if a person other than a police officer or an officer of an investigation agency files a request for prosecution sanction, what mandatory step must the competent authority take before refusing to accord sanction?
(A) Refer the matter to the High Court for an advisory opinion
(B) Direct the complainant to publish the allegations in a national newspaper
(C) Provide an opportunity of being heard to the concerned public servant
(D) Automatically grant the sanction within 15 days without review

Oct/Nov 2015

22. Under the Prevention of Corruption Act, 1988, what is the maximum aggregated period to which a trial can be extended if it does not reach a conclusion within the initially stipulated time?
(A) Two years
(B) Three years
(C) Four years
(D) Five years

May/June 2013

23. When fixing the fine under Section 16 of the Prevention of Corruption Act, 1988, which of the following must the court take into consideration?
(A) The total annual salary and allowances of the accused public servant at the time of the offence.
(B) The number of dependents in the family of the accused who rely on the primary source of income.
(C) The total years of service left before the mandatory superannuation of the accused under service rules.
(D) The amount or value of the property which the accused person has obtained by committing the offence.

Oct/Nov 2021

24. Prior approval under Section 17A of the Prevention of Corruption Act, 1988, is required for conducting an enquiry, inquiry, or investigation into an offence alleged to have been committed by a public servant. In which scenario is such approval NOT necessary?
(A) Cases involving a public servant currently employed in connection with the administrative affairs of the Union.
(B) Cases where the public servant has already retired from service but the offence relates to their tenure.
(C) Cases involving a decision taken by a public servant in the discharge of their official functions or duties.
(D) Cases involving on-the-spot arrest for accepting or attempting to accept any undue advantage.

May/June 2024

25. Which of the following is an INCORRECT statement regarding the definition of a 'public servant' under Section 2c of the Prevention of Corruption Act, 1988?
(A) It includes any person in the service or pay of a local authority or a corporation established by the State.
(B) It excludes persons authorized by a court, such as a liquidator, from being classified as public servants.
(C) It includes any person who is a Vice-Chancellor or an officer of any University receiving government aid.
(D) It includes any judge or person empowered by law to discharge adjudicatory functions within the legal system.

Oct/Nov 2008

26. According to Section 2c of the Prevention of Corruption Act, 1988, which of the following is included in the definition of a "public servant"?
(A) Any person employed directly by the Central Government on a permanent and full-time basis.
(B) Any elected member of Parliament and State Legislatures holding a specific ministerial portfolio.

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Procedure, 1973.
(D) The trial of such offence must be held on a day-to-day basis as far as practicable.

Oct/Nov 2019

14. Identify the correct statement regarding the appointment of Special Judges under Section 3 of the Prevention of Corruption Act, 1988.
(A) Only the Central Government has the exclusive power to appoint Special Judges for corruption cases.
(B) Special Judges can only try offences related to commercial organizations and not those involving public servants.
(C) A person who is or has been a Sessions Judge, an Additional Sessions Judge, or an Assistant Sessions Judge.
(D) A Special Judge is appointed by the Supreme Court of India in consultation with the respective High Courts.

May/June 2009

15. In the context of Section 13 of the Prevention of Corruption Act, 1988, what is the most appropriate definition of "known sources of income"?
(A) Income declared in the public servant's latest income tax return
(B) Income derived only from the official salary paid by the Government
(C) Income that is visible and deposited in domestic bank accounts
(D) Income received from any lawful sources

Oct/Nov 2011

16. How is "public duty" defined under Section 2b of the Prevention of Corruption Act, 1988?
(A) A duty where the State, the public, or the community at large has a significant interest.
(B) A duty in the discharge of which only the Central Government or its agencies has a specific interest.
(C) A duty assigned exclusively to gazetted officers serving within the State or Central Government bodies.
(D) A duty relating solely to the internal financial administration or accounting of a Government company.

May/June 2010

17. Which of the following powers is NOT explicitly mentioned as being limited by Section 19(3) of the Prevention of Corruption Act, 1988, regarding proceedings under the Act?
(A) Power of a Court in appeal to reverse a sentence due to an error in sanction where a failure of justice has occurred
(B) Power of a court to stay proceedings on the ground of an error in the sanction granted by the authority unless it results in a failure of justice
(C) Power of a court to stay proceedings on any other ground
(D) Power of a court to exercise revision in relation to any interlocutory order passed in any inquiry, trial, or appeal

Oct/Nov 2024

18. Within what timeframe must the concerned authority convey its decision regarding prior approval for enquiry or investigation under Section 17A of the Prevention of Corruption Act, 1988, excluding any extensions?
(A) One month
(B) Two months
(C) Three months
(D) Six months

May/June 2017

19. Which of the following is INCORRECT regarding the Standard Operating Procedures (SOPs) for Section 17A provided by the Ministry of Personnel, Public Grievances and Pensions?
(A) They provide for stage wise processing of information received by a Police Officer.
(B) They specify the rank of Police Officer to seek prior approval in respect of different categories of public servants.
(C) They provide a checklist for submitting proposals under Section 17A.
(D) They empower the investigating agency to bypass the competent authority if a decision is delayed beyond one month.

Oct/Nov 2005

20. Which statement accurately reflects the provisions of Section 18 of the Prevention of Corruption Act, 1988, regarding powers to inspect 'Bankers Books'?
(A) Officers below the rank of Superintendent of Police require special authorization from

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clause, making the developer liable for financial compensation to the firm.

78. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
The 2022 amendment significantly changed the First Schedule by omitting contracts for the sale or conveyance of immovable property from the excluded list for specific entities. This means such contracts can now be executed electronically. The reason correctly explains the assertion by identifying the specific legislative change that removed the previous prohibition, thereby allowing for the digital execution of property documents.

79. (B) Imprisonment of either description for a term which may extend to ten years and a fine.
Section 70 deals with protected systems that involve critical information infrastructure. Unauthorized access or attempts to secure access to such systems constitute a serious offence. The statutory penalty includes imprisonment of either description for a term which may extend to ten years, along with a fine, reflecting the gravity of compromising the nation's critical digital assets and essential technological infrastructure.

80. (A) It is valid because the entry excluding contracts for immovable property was omitted from the schedule.
The 2022 amendment to the First Schedule removed the exclusion of contracts for the sale or conveyance of immovable property when involving regulated entities or as specifically notified. Consequently, these documents can now be legally executed using electronic signatures. This change provides legal validity to digital property agreements that were previously restricted under the original framework of the Information Technology Act.

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(C) Any person working in a purely private commercial organization without any government funding or aid.
(D) Any person in the service of the Government or remunerated by fees for performing public duties.

May/June 2006

27. What is the primary objective of the Prevention of Corruption Act, 1988, as stated in its preamble?
(A) To consolidate and amend laws relating to the prevention of corruption and connected matters.
(B) To strictly regulate the foreign funding of political parties and their respective election campaigns.
(C) To establish the office of Lokpal and Lokayuktas in every state to monitor public servants.
(D) To govern the internal disciplinary proceedings of public sector banks and financial institutions.

Oct/Nov 2017

28. In the context of Section 13 of the Prevention of Corruption Act, 1988, detailing 'criminal misconduct', what constitutes the presumption of illicit enrichment?
(A) Possession of pecuniary resources or property disproportionate to known sources of income which cannot be explained.
(B) Maintaining a bank account in a foreign country without obtaining prior approval from the Reserve Bank of India.
(C) Receiving a promotion or salary hike based on an irregular or fraudulent performance appraisal within the department.
(D) Failing to file mandatory annual property returns for three consecutive years despite receiving several government notices.

May/June 2008

29. According to the explanations under Section 2d of the Prevention of Corruption Act, 1988, regarding "undue advantage", the word "gratification" is NOT limited to which of the following?
(A) Only gratifications that are strictly pecuniary in nature.
(B) Gratifications that are easily estimable in terms of money.
(C) Both pecuniary gratifications and gratifications estimable in money.
(D) Legal remuneration which is permitted by the Government body.

Oct/Nov 2013

30. Which of the following statements is correct concerning the Standard Operating Procedures (SOPs) issued on 3rd September 2021 regarding the Prevention of Corruption Act, 1988?
(A) A step-by-step guide for arresting public servants without warrants in cases of suspected criminal misconduct.
(B) Mandating the conclusion of the trial for all corruption cases within a strict period of six months.
(C) Authorizing police officers below the rank of Inspector to inspect bankers' books during an investigation.
(D) Procedures specifying the receipt stage of the proposal for prior approval under Section 17A of the Act.

May/June 2015

31. Match the legal cases or procedural codes in List I with their legal contexts in List II:
List I: (Cases/Codes)
P. M. Gopalakrishnan vs The Inspector of Police
Q. A.R. Antulay vs R.S Naik
R. Section 406 of CrPC
S. Section 407 of CrPC
List II: (Legal Contexts)
1. Power of transfer available to the High Court
2. Transfer of suits explicitly dealt with concisely on 31st August 2009
3. Constitutional bench regarding withdrawal and transfer to High Court
4. Power of transfer available to the Supreme Court
(A) P-2, Q-3, R-4, S-1
(B) P-3, Q-2, R-1, S-4
(C) P-2, Q-4, R-3, S-1
(D) P-4, Q-1, R-2, S-3

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Oct/Nov 2012

32. Consider the following factors for fixing of fine under Section 16 of the Prevention of Corruption Act, 1988:
I. The court must consider the amount or value of the property obtained by committing the

offence.
II. The court must consider the pecuniary resources for which the accused is unable to account satisfactorily.
III. The court must consider the political affiliation of the accused person.
Which of the above statement(s) is/are correct?
(A) II and III only
(B) I and II only
(C) I and III only
(D) I, II, and III

May/June 2011

33. Match the Sections of the Prevention of Corruption Act, 1988, in List I with their corresponding Offences and Descriptions in List II:
List I: (Sections)
P. Section 7
Q. Section 8
R. Section 9
S. Section 11
List II: (Offences/Descriptions)
1. Offence relating to bribing a public servant by a commercial organization
2. Public servant obtaining undue advantage without consideration
3. Where the public servant is bribed
4. Giving an undue advantage to induce a public servant to act illegally
(A) P-3, Q-4, R-1, S-2
(B) P-4, Q-3, R-2, S-1
(C) P-3, Q-1, R-4, S-2
(D) P-1, Q-2, R-3, S-4

Oct/Nov 2020

34. Regarding the persons authorized to investigate under Section 17 of the Prevention of Corruption Act, 1988, identify the correct authorizations:
I. Delhi Special Police Establishment: Inspector of Police
II. Metropolitan areas of Bombay, Calcutta, Madras: Assistant Commissioner of Police
III. Elsewhere: Deputy Superintendent of Police
IV. Criminal misconduct under Section 13: Sub-Inspector of Police
Which of the above statement(s) is/are correct?
(A) I, III, and IV only
(B) II, III, and IV only
(C) I, II, III, and IV
(D) I, II, and III only

May/June 2022

35. Consider the following statements regarding the qualifications of a Special Judge under the Prevention of Corruption Act, 1988:
I. A person can be appointed as a Special Judge only if he is or has been a Sessions Judge or an Additional Sessions Judge or an Assistant Sessions Judge.
II. A Special Judge is appointed under the Code of Civil Procedure, 1908.
Which of the above statement(s) is/are correct?
(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2023

36. Evaluate the following statements regarding Section 17A of the Prevention of Corruption Act, 1988 (Enquiry/Investigation approval):
I. Prior approval is required for offences relatable to recommendations made in discharge of official functions.
II. The approval authority for a State Government employee is the State Government.
III. No approval is needed if a person is arrested on the spot for accepting a bribe.
IV. The concerned authority must convey its decision within three months.
V. The decision timeframe cannot be extended under any circumstances.
Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, II, IV, and V only
(C) II, III, IV, and V only
(D) I, III, IV, and V only

May/June 2016

37. Arrange the following amendments and guidelines associated with the Prevention of Corruption Act, 1988, in chronological order of their introduction:
I. Issuance of Standard Operating Procedures (SOPs) for investigating agencies
II. Amendment introducing Section 17A regarding prior approval for investigation
III. Promulgation of the primary Prevention of Corruption Act
(A) III, I, II
(B) III, II, I
(C) II, III, I

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(D) I, II, III

Oct/Nov 2009

38. Read the following statements concerning Section 2b 'public duty' under the Prevention of Corruption Act, 1988:

I. It means a duty in the discharge of which the State, the public, or the community at large has an interest.
II. The term "State" excludes Government companies as defined in section 617 of the Companies Act, 1956.
III. The law covers all entities established by the State and Central Government including Public Sector Banks.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I, II, and III
(D) I and III only

May/June 2023

39. The Standard Operating Procedures (SOPs) issued on 3rd September 2021 regarding the Prevention of Corruption Act, 1988, provide for which of the following?

I. Stage wise processing of information received by a Police Officer.
II. Specifying the rank of Police Officer to seek prior approval under Section 17A.
III. Laying down a Single-Window procedure to specify the receipt stage of the proposal.
IV. A checklist for submitting proposals under Section 17A.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) II, III, and IV only
(D) I, II, III, and IV

Oct/Nov 2018

40. Identify the correctly matched pair regarding the authority competent to grant sanction under Section 19 of the Prevention of Corruption Act, 1988.

(A) A person employed in connection with the affairs of the Union — The respective State Government.
(B) A person employed in connection with the affairs of a State — The Central Government of India.
(C) An elected Member of Parliament — The Superintendent of Police of the concerned district or area.
(D) Any other person — The authority competent to remove him from his office.

May/June 2007

41. Analyze the following statements surrounding Criminal Misconduct and Penalties under the Prevention of Corruption Act, 1988:

I. Section 13 defines criminal misconduct by a public servant.
II. Fraudulent misappropriation of entrusted property constitutes criminal misconduct.
III. Intentionally enriching oneself illicitly is considered criminal misconduct.
IV. A habitual offender is penalized under Section 14 with a minimum 5-year imprisonment.
V. Attempt to commit criminal misconduct is not covered under any section of the Act.

Which of the above statement(s) is/are correct?
(A) I, III, IV, and V only
(B) I, II, III, and IV only
(C) II, III, IV, and V only
(D) I, II, IV, and V only

Oct/Nov 2025

42. Match the following sections in List I with their corresponding provisions regarding punishments under the Prevention of Corruption Act, 1988, in List II:

List I: (Sections)
P. Section 13(2)
Q. Section 14
R. Section 15
S. Section 10

List II: (Punishments)
1. Punishment for attempting to commit an offence (not less than 2 years up to 5 years)
2. Punishment for criminal misconduct (not less than 4 years up to 10 years)
3. Punishment for habitual offender (not less than 5 years up to 10 years)
4. Person in charge of commercial organization guilty of offence (not less than 3 years up to 7 years)

(A) P-2, Q-3, R-1, S-4
(B) P-3, Q-2, R-4, S-1
(C) P-1, Q-4, R-2, S-3
(D) P-2, Q-1, R-4, S-3

NODIA

Oct/Nov 2014

43. Consider the following provisions of Section 17A of the Prevention of Corruption Act, 1988, relating to prior approval for investigation:

I. No police officer shall conduct an inquiry into an offence relatable to official recommendations without previous approval.

II. Approval must be conveyed by the concerned authority within a maximum period of six months under normal circumstances.

III. No approval is necessary for cases involving arrest of a person on the spot on the charge of accepting an undue advantage.

Which of the above statement(s) is/are correct?

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II, and III

May/June 2019

44. Consider the following statements regarding 'criminal misconduct' under Section 13 of the Prevention of Corruption Act, 1988:

I. A public servant commits criminal misconduct if he intentionally enriches himself illicitly during his period of office.

II. A person shall be presumed to have intentionally enriched himself illicitly if he is in possession of pecuniary resources proportionate to his known sources of income.

Which of the above statement(s) is/are correct?

(A) Only II
(B) Both I and II
(C) Neither I nor II
(D) Only I

Oct/Nov 2006

45. Review the following statements about Special Judges under the Prevention of Corruption Act, 1988:

I. They are appointed by the Central or State Government via notification in the Official Gazette.

II. They must have been a Sessions Judge, Additional Sessions Judge, or Assistant Sessions Judge.

III. They can try conspiracies to commit offences under the Act.

IV. They are mandated to conclude trials within a maximum aggregate period of four years.

V. Their cases can be transferred directly to the High Court under Section 406 of CrPC without limitations.

Which of the above statement(s) is/are correct?

(A) II, III, IV, and V only
(B) I, III, IV, and V only
(C) I, II, III, and IV only
(D) I, II, IV, and V only

May/June 2021

46. Arrange the following procedural steps for taking cognizance of an offence based on a private complaint under Section 19 of the Prevention of Corruption Act, 1988, in the correct sequential order:

I. The competent authority provides an opportunity of being heard to the concerned public servant.

II. The person files a complaint in a competent court about the alleged offences.

III. The appropriate Government or competent authority endeavours to convey the decision on the proposal within three months.

IV. The court has not dismissed the complaint and directs the complainant to obtain the sanction for prosecution.

(A) II, IV, I, III
(B) I, II, III, IV
(C) II, I, IV, III
(D) IV, II, III, I

Oct/Nov 2010

47. Consider the following offences and their respective maximum term of imprisonment as prescribed under the Prevention of Corruption Act, 1988:

I. Section 7 (Public servant bribed): 7 years

II. Section 10 (Person in charge of commercial organization guilty): 7 years

III. Section 11 (Public servant obtaining undue advantage without consideration): 5 years

IV. Section 14 (Habitual offender): 10 years

Which of the above statement(s) is/are correct?

(A) I, II, and III only
(B) I, II, III, and IV
(C) I, III, and IV only
(D) II, III, and IV only

May/June 2005

48. Identify the correctly matched pair of the Offence and its Maximum Imprisonment limit as per the Prevention of Corruption Act, 1988.

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(A) Section 7A (Taking undue advantage to influence public servant) — Maximum 5 years of imprisonment.
(B) Section 11 (Public servant obtaining undue advantage without consideration) — Maximum 5 years.
(C) Section 13 (Criminal misconduct by a public servant) — Maximum 7 years of rigorous imprisonment.
(D) Section 15 (Attempt to commit an offence under the Act) — Maximum 3 years of imprisonment.

Oct/Nov 2022

49. Regarding Appeal and Revision under Section 27 of the Prevention of Corruption Act, 1988:
I. Appeal and Revision normally lie with the Supreme Court.
II. The High Court may exercise powers of appeal and revision conferred by the Code of Criminal Procedure, 1973.
III. The High Court acts as if the court of the special Judge were a 'Court of Session'.
Which of the above statement(s) is/are correct?
(A) II and III only
(B) I and II only
(C) I and III only
(D) I, II, and III

May/June 2018

50. Consider the following statements regarding sanction for prosecution under Section 19 of the Prevention of Corruption Act, 1988:
I. If legal consultation is required, the three-month period to convey the decision on sanction can be extended by a further period of one month.
II. The Central Government cannot prescribe any guidelines for the purpose of sanction for prosecution of a public servant.
Which of the above statement(s) is/are correct?
(A) Only II
(B) Both I and II
(C) Only I
(D) Neither I nor II

Oct/Nov 2016

51. Consider the following provisions for previous sanction under Section 19 of the Prevention of Corruption Act, 1988:
I. Sanction is required before a court can take cognizance of an offence under sections 7, 11, 13, and 15.
II. The Central Government sanctions prosecution for Union employees.
III. A private person filing a complaint must ensure the court has not dismissed it under section 203 of CrPC.
IV. The public servant must be given an opportunity of being heard if the request is from a private person.
V. "Public servant" in this context excludes those who have ceased to hold the office during which the offence was alleged.
Which of the above statement(s) is/are correct?
(A) I, II, IV, and V only
(B) II, III, IV, and V only
(C) I, III, IV, and V only
(D) I, II, III, and IV only

May/June 2014

52. Match the definitions in List I with their respective subsections under Section 2 of the Prevention of Corruption Act, 1988, in List II:
List I: (Definitions)
P. 'Election'
Q. 'Prescribed'
R. 'Public duty'
S. 'Undue advantage'
List II: (Subsections)
1. Section 2d
2. Section 2b
3. Section 2aa
4. Section 2a
(A) P-4, Q-3, R-2, S-1
(B) P-1, Q-2, R-3, S-4
(C) P-4, Q-2, R-3, S-1
(D) P-3, Q-4, R-1, S-2

NODIA

Oct/Nov 2007

53. Which of the following is an INCORRECT pair under the definition of "Public Servant" in Section 2c of the Prevention of Corruption Act, 1988?
(A) An arbitrator to whom any cause has been referred — Public Servant
(B) An office-bearer of a registered co-operative society receiving financial aid from Government — Public Servant
(C) A Chairman of an unaided private tech company — Public Servant
(D) A Vice-Chancellor of a University — Public Servant

May/June 2025

54. Under Section 19(3) of the Prevention of Corruption Act, 1988, notwithstanding anything in the Code of Criminal Procedure, which of the following restrictions are placed on courts?

I. No finding or sentence by a special Judge shall be reversed in appeal on the ground of an error in sanction unless a failure of justice has occurred.
II. No court shall stay proceedings on the ground of an error in the sanction unless it has resulted in a failure of justice.
III. No court shall stay proceedings on any other ground.
IV. No court shall exercise powers of revision in relation to any interlocutory order passed in any trial.

Which of the above statement(s) is/are correct?
(A) I, II, and III only
(B) I, III, and IV only
(C) I, II, III, and IV
(D) II, III, and IV only

Oct/Nov 2019

55. Evaluate the following statements regarding the timeline for trials by Special Judges under Section 4 of the Prevention of Corruption Act, 1988:

I. The trial must be held, as far as practicable, on a day-to-day basis.
II. An endeavour must be made to conclude the trial within a period of two years.
III. If the trial is not concluded within 2 years, the judge can extend it indefinitely without recording reasons.

Which of the above statement(s) is/are correct?
(A) I and II only
(B) II and III only
(C) I and III only
(D) I, II, and III

May/June 2009

56. Match the geographical area or domain in List I with the police officer authorized to investigate under Section 17 of the Prevention of Corruption Act, 1988, in List II:

List I: (Area/Domain)
P. Delhi Special Police Establishment
Q. Metropolitan areas of Bombay, Calcutta, Madras
R. Elsewhere (non-metropolitan)
S. Criminal misconduct under Section 13

List II: (Authorized Officer)
1. Assistant Commissioner of Police
2. Deputy Superintendent of Police
3. Superintendent of Police
4. Inspector of Police

(A) P-2, Q-1, R-4, S-3
(B) P-4, Q-1, R-2, S-3
(C) P-1, Q-2, R-3, S-4
(D) P-4, Q-3, R-2, S-1

Oct/Nov 2011

57. Which of the following individuals qualify as a "public servant" under Section 2c of the Prevention of Corruption Act, 1988?

I. Any person holding an office by virtue of which he is authorized to perform any public duty.
II. The president or secretary of a registered co-operative society receiving financial aid from the Government.
III. A Chairman of a selection committee appointed by a Service Commission.
IV. A professor whose services have been availed by a University in connection with conducting examinations.
V. An employee of a purely private un-aided commercial hospital.

Which of the above statement(s) is/are correct?
(A) I, II, III, and IV only
(B) I, III, IV, and V only
(C) II, III, IV, and V only
(D) I, II, IV, and V only

May/June 2010

58. Identify the INCORRECTLY matched pair of the Section and its content under the Prevention of Corruption Act, 1988.
(A) Section 17A — Appeal and Revision
(B) Section 16 — Fixing of Fine
(C) Section 18 — Powers to Inspect Bankers' Books
(D) Section 3 — Appointment of Special Judges

Oct/Nov 2024

59. Which of the following persons are defined as "public servants" under Section 2c of the Prevention of Corruption Act, 1988?

I. Any person in the service or pay of a local authority.
II. Any Judge empowered by law to discharge adjudicatory functions.
III. Any person authorized by a court of justice

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to perform any duty in connection with the administration of justice.

IV. Any private citizen who pays income tax regularly.

Which of the above statement(s) is/are correct?

(A) I, III, and IV only
(B) II, III, and IV only
(C) I, II, and III only
(D) I, II, III, and IV

May/June 2017

60. Consider the following statements about powers to inspect bankers' books under Section 18 of the Prevention of Corruption Act, 1988:

I. Any police officer suspecting an offence under Section 17 can inspect bankers' books without any restrictions on rank.

II. The Bank is obligated to provide certified copies of the relevant entries to assist the police officer exercising powers under this section.

Which of the above statement(s) is/are correct?

(A) Only I
(B) Only II
(C) Both I and II
(D) Neither I nor II

Oct/Nov 2005

61. Referring to Mr. Sharma's situation where he was caught demanding and accepting cash outside of legal remuneration, under which Section of the Prevention of Corruption Act, 1988, will he be charged for the offence of being bribed (taking undue advantage)?

(A) Section 10
(B) Section 14
(C) Section 7
(D) Section 16

May/June 2020

62. Once the State Government receives the proposal requiring sanction for prosecution from the activist under the Prevention of Corruption Act, 1988, within what standard timeframe should they endeavour to convey their decision?

(A) 30 days
(B) 60 days
(C) Three months
(D) Six months

Oct/Nov 2015

63. The following questions consist of two statements—Assertion (A) and Reason (R). Answer these questions selecting the appropriate option given below:

Assertion (A): Any police officer investigating an offence under Section 17 has the unconditional power to inspect bankers' books under Section 18 of the Prevention of Corruption Act, 1988.

Reason (R): Powers to inspect bankers' books cannot be exercised by a police officer below the rank of Superintendent of Police unless specially authorized by an officer of or above that rank.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

NODIA

May/June 2013

64. Under which Section of the Prevention of Corruption Act, 1988, is the commercial organization committing an offence by bribing a public servant?

(A) Section 9
(B) Section 8
(C) Section 11
(D) Section 15

Oct/Nov 2021

65. The following questions consist of two statements—Assertion (A) and Reason (R). Answer these questions selecting the appropriate option given below:

Assertion (A): The transfer of a case pending before a Special Judge directly to the High Court itself is prohibited.

Reason (R): The special law establishes a procedure that cases triable by a Special Judge can only be tried by Special Judges, meaning they can only be transferred to another Special Judge.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.

fees or commissions for the performance of any public duty. This broad categorization ensures that various types of governmental and public engagements are covered.

27. (A) To consolidate and amend laws relating to the prevention of corruption and connected matters.
The preamble of the Prevention of Corruption Act, 1988, clearly states its legislative intent and primary objective. The Act was enacted to consolidate and amend the existing laws relating to the prevention of corruption and for matters connected therewith. It serves as a comprehensive legal framework to address various forms of corruption involving public servants across the country.

28. (A) Possession of pecuniary resources or property disproportionate to known sources of income which cannot be explained.
Section 13 of the Prevention of Corruption Act, 1988, describes criminal misconduct, including the concept of illicit enrichment. A presumption of such enrichment arises when a public servant is found in possession of pecuniary resources or property disproportionate to their known sources of income. If they cannot satisfactorily account for these assets, it constitutes a specific form of criminal misconduct.

29. (C) Both pecuniary gratifications and gratifications estimable in money.
The explanation provided in Section 2d of the Prevention of Corruption Act, 1988, clarifies that the term gratification is not narrowly interpreted. It explicitly states that gratification is not limited to pecuniary benefits or those that are easily estimable in terms of money. This ensure that all forms of non-monetary benefits or personal satisfactions are covered under undue advantage.

30. (D) Procedures specifying the receipt stage of the proposal for prior approval under Section 17A of the Act.
The Standard Operating Procedures issued on 3rd September 2021 focus on the practical implementation of Section 17A of the Prevention of Corruption Act. These procedures specifically detail the receipt stage of proposals for prior approval. They provide clear instructions for police officers and authorities on how to handle information and requests for investigations against public servants efficiently.

31. (A) P-2, Q-3, R-4, S-1
The legal landscape regarding the transfer of corruption cases is shaped by specific judicial precedents and the Code of Criminal Procedure. While Section 406 grants transfer powers to the Supreme Court, Section 407 pertains to the High Court. Historical cases like A.R. Antulay and M. Gopalakrishnan have further clarified these procedural powers concerning the trial of offences by Special Judges.

32. (B) I and II only
Section 16 of the Prevention of Corruption Act, 1988, directs the court on how to determine fines upon conviction. The court must consider the value of the property obtained through the offence and the pecuniary resources for which the accused cannot account. Factors such as political affiliation are irrelevant to this legal determination and are not part of the statutory criteria.

33. (A) P-3, Q-4, R-1, S-2
The Prevention of Corruption Act, 1988, categorizes various offences under different sections. Section 7 deals with public servants being bribed, while Section 8 covers inducing them illegally. Section 9 focuses on bribery by commercial organizations, and Section 11 pertains to public servants obtaining undue advantages without consideration. These sections together provide a comprehensive framework for penalizing corrupt practices.

34. (D) I, II, and III only
Under Section 17 of the Prevention of Corruption Act, 1988, specific ranks are designated for investigating various offences. Inspectors in the Delhi Special Police Establishment, Assistant Commissioners in certain metropolitan areas, and Deputy Superintendents of Police in other locations are authorized to investigate. Sub-Inspectors are generally not empowered by default to investigate criminal misconduct under Section 13 of this Act.

35. (A) Only I
Section 3 of the Prevention of Corruption Act, 1988, establishes the eligibility criteria for the

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May/June 2015

72. Because Mr. Sharma was arrested on the spot while accepting the bribe, which of the following statements is legally accurate regarding the prior approval required for investigating him under Section 17A of the Prevention of Corruption Act, 1988?
(A) Prior approval from the Central Government is mandatory and must be obtained within 3 months.
(B) Prior approval from the Bank's Board of Directors is mandatory for all senior branch managers.
(C) Prior approval must be sought from the High Court directly before any investigation can proceed.
(D) No prior approval is necessary for cases involving arrest on the spot for accepting a bribe.

Oct/Nov 2012

73. Suppose the State Government grants the sanction, but there is a minor typographical error in the competency designation in the sanction letter. During the appeal, the defence argues the trial is invalid due to this error. How should the appellate court rule as per Section 19 of the Prevention of Corruption Act, 1988?
(A) The court must stay the proceedings immediately and declare a mistrial due to administrative error.
(B) Finding or sentence shall not be reversed unless the error caused a failure of justice.
(C) The court must ignore the error completely as administrative errors are exempt from judicial review process.
(D) The court must order the activist to re-apply for a new sanction within a period of 7 days.

May/June 2011

74. According to Section 4 of the Prevention of Corruption Act, 1988, since the trial has not reached a conclusion within the stipulated two years, what procedural step must the Special Judge take to extend the trial?
(A) Dismiss the entire case immediately and acquit the accused of all corruption charges.
(B) Verbally inform the High Court regarding the delay and continue the trial proceedings.
(C) Transfer the case automatically to a regular Sessions Court for a standard criminal trial.
(D) Record reasons for delay and extend the date for up to 6 months at a time.

Oct/Nov 2020

75. Under which specific section and clause of the Prevention of Corruption Act, 1988, is Mr. Sharma classified as a "public servant" considering his employment in a Public Sector Bank?
(A) Section 2c (iii)
(B) Section 2b
(C) Section 2c (viii)
(D) Section 2d

May/June 2022

76. If Mr. Gupta is convicted and the court decides to levy a fine, what must the court primarily take into consideration while fixing the fine under Section 16 of the Prevention of Corruption Act, 1988?
(A) The total number of legal dependents the accused has in his immediate family.
(B) The total legal remuneration the accused earned over the course of his lifetime.
(C) The average amount of fines levied in similar corruption cases over the past decade.
(D) The pecuniary resources for which the accused is unable to account satisfactorily.

Oct/Nov 2023

77. Regarding the defence lawyer's petition to transfer the case directly to the High Court, how will this be treated based on the legal principles derived from precedents regarding Special Judges?
(A) It will be allowed as the High Court has supreme jurisdiction over all lower criminal courts.
(B) It will be allowed only if the Central Government provides written approval for the transfer.
(C) Rejected because cases triable by a Special Judge can only be transferred to another Special Judge.
(D) It will be rejected because cases under the Act cannot be transferred under any circumstances once started.

May/June 2016

78. The following questions consist of two statements—Assertion (A) and Reason (R). Answer these questions selecting the appropriate option given below:

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Assertion (A): The expression "legal remuneration" includes all remuneration which a public servant is permitted by the Government or the organization he serves to receive.
Reason (R): 'Undue advantage' means any gratification whatever, other than legal remuneration.

(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2009

79. For the case concerning Mr. Gupta, who is the minimum ranked police officer authorized to investigate this specific offence of criminal misconduct under Section 13 of the Prevention of Corruption Act, 1988, without requiring an order from a Magistrate?

(A) Sub-Inspector of Police
(B) Superintendent of Police
(C) Inspector of Police
(D) Assistant Commissioner of Police

May/June 2012

80. If a police officer receives information about this corrupt practice and wishes to seek prior approval under Section 17A to initiate an inquiry against the municipal commissioner, he must adhere to the Standard Operating Procedures (SOPs). On what date were these SOPs officially introduced by the Government?

(A) 9th September 1988
(B) 2nd October 2013
(C) 1st January 2018
(D) 3rd September 2021

NODIA

ANSWERS

1. (C) Imprisonment for not less than five years
Section 14 of the Prevention of Corruption Act, 1988, addresses the punishment for habitual offenders. When a person previously convicted of an offence under the act commits a subsequent similar offence, the law mandates a more severe penalty. The statutory minimum punishment for such recidivism is fixed at imprisonment for five years, potentially extending up to ten years.

2. (C) Section 11: Public servant obtaining undue advantage without consideration — imprisonment for 3 to 7 years.
Under Section 11 of the Prevention of Corruption Act, 1988, a public servant obtaining an undue advantage without consideration or for inadequate consideration is punishable with imprisonment for a term between six months and five years. The statement suggesting a punishment range of three to seven years for this specific offence is legally inaccurate under the statutory provisions.

3. (C) Any gratification whatever, other than legal remuneration
The Prevention of Corruption Act, 1988, provides a broad definition of undue advantage in Section 2d. It encompasses any gratification whatsoever, except for the legal remuneration a public servant is entitled to receive. This term is not restricted to pecuniary or monetary benefits and includes all forms of satisfaction intended to influence official conduct or decisions.

4. (C) A purely private multinational corporation with no government aid
The explanation to Section 2b of the Prevention of Corruption Act, 1988, defines the term State to include government authorities and companies. Specifically, it covers corporations established by Central or State Acts and authorities owned or controlled by the government. A purely private multinational corporation that receives no government aid or control falls outside this specific legal definition.

5. (B) Finding or sentence shall not be altered unless the court believes a failure of justice has been occasioned.
According to Section 19 of the Prevention of Corruption Act, 1988, an error, omission, or irregularity in the sanction for prosecution does not automatically invalidate the proceedings. An appellate court will not alter or reverse a finding or sentence unless it determines that such a flaw has effectively resulted in a failure of justice during the trial process.

6. (B) A Court of Session
Under Section 27 of the Prevention of Corruption Act, 1988, the High Court is empowered to exercise its appellate and revisional jurisdictions over the judgements of a Special Judge. For these procedural purposes, the court of the Special Judge is legally deemed to be a Court of Session, ensuring that standard criminal procedure rules for appeals are applied correctly.

7. (B) Any election held under law for selecting members of Parliament, Legislatures, or public authorities.
Section 2a of the Prevention of Corruption Act, 1988, provides a comprehensive definition of election. It refers to any election held under any law for the purpose of selecting members of Parliament, any State Legislature, or any local or public authority. This broad scope ensures that corruption related to various public representative bodies is covered under the act.

8. (B) Imprisonment for a term between two and five years along with a fine.
Section 15 of the Prevention of Corruption Act, 1988, specifically addresses the punishment for attempting to commit offences. An individual who attempts to commit an offence referred to in the act is liable for imprisonment. The statutory punishment prescribed for such an attempt is a term of at least two years, which may extend up to five years.

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9. (B) A Sub-Inspector of Police stationed in a rural district
Section 17 of the Prevention of Corruption Act, 1988, specifies the ranks of police officers authorized to investigate offences. While Inspectors in the Delhi Special Police Establishment and Assistant Commissioners in metropolitan areas have default authority, a Sub-Inspector stationed in a rural district generally lacks this authorization. Such lower-ranking officers require specific orders from a competent Magistrate to investigate.

10. (C) A case triable by a Special Judge can only be transferred to another Special Judge.
The legal framework governing the Prevention of Corruption Act, 1988, establishes that offences specified under the act must be tried by Special Judges. Consequently, a case pending before a Special Judge can only be transferred to another Special Judge. This ensures that the specialized jurisdiction intended by the legislature is maintained throughout the entirety of the legal proceedings.

11. (D) Whether the objection could have been raised at an earlier stage in the proceedings.
Section 19(4) of the Prevention of Corruption Act, 1988, guides courts in determining if a sanction error caused a failure of justice. The court must specifically consider whether the objection regarding the sanction could have been raised at an earlier stage of the proceedings. This provision encourages timely challenges to procedural irregularities rather than allowing them as late-stage technicalities.

12. (D) 2021
The Ministry of Personnel, Public Grievances and Pensions issued the Standard Operating Procedures for processing cases under Section 17A of the Prevention of Corruption Act in 2021. These guidelines were designed to standardize the procedure for seeking prior approval before initiating inquiries or investigations against public servants. They aim to ensure transparency and administrative efficiency in anti-corruption efforts.

13. (A) The trial must be concluded within a strict, non-extendable period of one year.
Section 4 of the Prevention of Corruption Act, 1988, mandates that trials should be conducted on a day-to-day basis as far as practicable. While the law requires an endeavour to conclude the trial within two years, it allows extensions up to a total of four years. Therefore, claiming a strict, non-extendable one-year period for conclusion is legally incorrect.

14. (C) A person who is or has been a Sessions Judge, an Additional Sessions Judge, or an Assistant Sessions Judge.
Under Section 3 of the Prevention of Corruption Act, 1988, the Central and State Governments are empowered to appoint Special Judges. To qualify for such an appointment, a person must currently be or have previously served as a Sessions Judge, an Additional Sessions Judge, or an Assistant Sessions Judge. This ensures that judges with sufficient criminal law experience preside.

NODIA

15. (D) Income received from any lawful sources
In the context of criminal misconduct under Section 13 of the Prevention of Corruption Act, 1988, known sources of income are defined broadly. They encompass all income that is received by the public servant from any lawful sources. This includes salary, investments, and other legitimate earnings that have been properly disclosed or are otherwise verifiable through legal channels.

16. (A) A duty where the State, the public, or the community at large has a significant interest.
Section 2b of the Prevention of Corruption Act, 1988, defines public duty as a responsibility performed by an individual where the State, the public, or the community at large has an interest. This definition focuses on the nature of the function rather than the specific employer, ensuring that various roles impacting the general public welfare are covered.

17. (A) Power of a Court in appeal to reverse a sentence due to an error in sanction where a failure of justice has occurred
Section 19(3) of the Prevention of Corruption Act, 1988, places several restrictions on courts regarding stays and reversals. It prohibits staying proceedings on grounds of sanction errors unless justice fails and bans stays on any other ground entirely. However, the power of an appellate court to reverse a sentence when a failure of justice has actually occurred remains a valid exercise.

18. (C) Three months
Section 17A of the Prevention of Corruption Act, 1988, requires authorities to process requests for prior approval for investigation within a specific timeline. The concerned authority is mandated to convey its decision within three months of receiving the proposal. While a one-month extension is possible for legal consultations, the initial standard period for the decision is strictly three months.

19. (D) They empower the investigating agency to bypass the competent authority if a decision is delayed beyond one month.
The Standard Operating Procedures issued for Section 17A of the Prevention of Corruption Act, 1988, provide a structured framework for investigating agencies. They include checklists and specify the ranks of officers involved in seeking approvals. However, these procedures do not empower any investigating agency to bypass the competent authority if a decision is delayed beyond the initial one-month period.

20. (A) Officers below the rank of Superintendent of Police require special authorization from a senior officer of that rank.
Section 18 of the Prevention of Corruption Act, 1988, grants police officers the power to inspect bankers' books during investigations. However, this power is restricted based on rank to prevent misuse. Any officer below the rank of Superintendent of Police must obtain a specific written authorization from an officer of that rank or higher to conduct such an inspection.

21. (C) Provide an opportunity of being heard to the concerned public servant
Under Section 19 of the Prevention of Corruption Act, 1988, when a private person requests a prosecution sanction, specific procedural safeguards are triggered. Before the competent authority can refuse to accord such a sanction, it must provide the concerned public servant with an opportunity to be heard. This ensures that the public servant can present their defense against the allegations.

22. (C) Four years
Section 4 of the Prevention of Corruption Act, 1988, outlines the expected timeframe for the conclusion of trials. While the Act encourages concluding proceedings within two years, it allows for periodic extensions by the Special Judge. The cumulative maximum period permitted by the statute for the conclusion of a trial, including all such extensions, is limited to four years.

23. (D) The amount or value of the property which the accused person has obtained by committing the offence.
Section 16 of the Prevention of Corruption Act, 1988, provides guidelines for the court when determining the amount of fine to be imposed upon conviction. The court is required to take into consideration the amount or value of the property that the accused person obtained by committing the offence. This ensures the fine is proportional to the illicit gain.

24. (D) Cases involving on-the-spot arrest for accepting or attempting to accept any undue advantage.
Section 17A of the Prevention of Corruption Act, 1988, generally mandates prior approval for investigating public servants for official acts. However, an explicit exception is provided for situations involving an on-the-spot arrest of a public servant. If a person is caught in the act of accepting or attempting to accept an undue advantage, no such prior approval is required.

25. (B) It excludes persons authorized by a court, such as a liquidator, from being classified as public servants.
Section 2c of the Prevention of Corruption Act, 1988, defines public servants very broadly. This definition includes judges, local authority employees, and officers of universities receiving government aid. Crucially, it also includes any person authorized by a court of justice, such as a liquidator or receiver, to perform duties related to the administration of justice. Excluding them is incorrect.

26. (D) Any person in the service of the Government or remunerated by fees for performing public duties.
Under Section 2c of the Prevention of Corruption Act, 1988, a public servant includes any person who is in the service of the Government. Furthermore, it encompasses individuals who are remunerated by the Government through

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(D) Assertion (A) is false, but Reason (R) is true.

May/June 2024

66. In the aforementioned trial under the Prevention of Corruption Act, 1988, what is the absolute maximum aggregate period allowed for the conclusion of this trial under Section 4, including all extensions?
(A) Two years
(B) Three years
(C) Four years
(D) Five years

Oct/Nov 2008

67. The possession of pecuniary resources disproportionate to his known sources of income, which Mr. Gupta cannot satisfactorily account for, legally amounts to which offence under Section 13 of the Prevention of Corruption Act, 1988?
(A) Abetment of offence
(B) Habitual offending
(C) Criminal misconduct
(D) Offence by a commercial organization

May/June 2006

68. The following questions consist of two statements—Assertion (A) and Reason (R). Answer these questions selecting the appropriate option given below:
Assertion (A): A sentence passed by a Special Judge will automatically be reversed in appeal if there is any error, omission, or irregularity in the sanction required for prosecution.
Reason (R): The court shall not reverse or alter the sentence unless it is satisfied that such error, omission, or irregularity has in fact occasioned a failure of justice.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

Oct/Nov 2017

69. Before the State Government decides whether to accord sanction to prosecute the public servant based on the activist's request, what is a mandatory requirement under Section 19 of the Prevention of Corruption Act, 1988?
(A) The activist must pay a security deposit of Rs. 10,000 to the competent court.
(B) The investigating agency must arrest the public servant immediately upon receiving the complaint.
(C) The matter must be debated in the State Legislative Assembly before any sanction is granted.
(D) Providing an opportunity of being heard to the concerned public servant.

NODIA

May/June 2008

70. What is the prescribed punishment for the Managing Director of 'X-Build Pvt Ltd' who is found guilty of this offence under Section 10 of the Prevention of Corruption Act, 1988?
(A) Punishable only with a monetary fine determined by the Court of the Special Judge.
(B) Punishable with imprisonment for a term which may extend to five years for first-time offenders.
(C) Imprisonment for not less than three years extending to seven years, and a fine.
(D) Punishable with imprisonment for a term not less than five years extending to ten years and fine.

Oct/Nov 2013

71. The following questions consist of two statements—Assertion (A) and Reason (R). Answer these questions selecting the appropriate option given below:
Assertion (A): An investigating officer must always obtain prior approval under Section 17A before conducting any investigation against a public servant under the Prevention of Corruption Act, 1988.
Reason (R): No such approval is necessary for cases involving the arrest of a person on the spot on the charge of accepting any undue advantage.
(A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.

appointment of Special Judges. A candidate must hold or have previously held the position of a Sessions Judge, an Additional Sessions Judge, or an Assistant Sessions Judge. These appointments are governed by the provisions of this Act rather than the Code of Civil Procedure, 1908.

36. (A) I, II, III, and IV only
Section 17A of the Prevention of Corruption Act, 1988, provides for prior approval for investigations. It applies to decisions made in official discharge of duties and identifies the appropriate government as the approving authority. While the standard decision timeframe is three months and spot arrests are exempt, the law does allow for a one-month extension for necessary legal consultations.

37. (B) III, II, I
The legal framework for anti-corruption in India evolved through distinct stages. The primary Prevention of Corruption Act was promulgated in 1988 to consolidate relevant laws. Subsequently, a significant amendment in 2018 introduced Section 17A, requiring prior approval for investigations. Finally, in 2021, the government issued Standard Operating Procedures to provide detailed guidelines for implementing these investigation approval processes.

38. (D) I and III only
Section 2b defines public duty as a function where the State or the community has an interest. The explanation for State is broad and specifically includes government companies and entities established by the State or Central Government. This legal scope ensures that employees of Public Sector Banks and similar institutions are considered to be performing public duties under the Act.

39. (D) I, II, III, and IV
The Standard Operating Procedures issued on 3rd September 2021 offer a comprehensive guide for handling Section 17A approvals. They detail the stage-wise processing of information, specify the necessary police ranks, and introduce a single-window procedure for proposals. Additionally, the inclusion of a checklist ensures that all required documentation is submitted by the investigating agencies to the competent authorities.

40. (D) Any other person — The authority competent to remove him from his office.
Section 19 of the Prevention of Corruption Act, 1988, identifies the authorities competent to grant prosecution sanctions. For individuals not specifically categorized under Union or State affairs, the sanction must be obtained from the authority that has the power to remove them from their office. This ensures that the disciplinary authority oversees the legal prosecution of the public servant.

41. (B) I, II, III, and IV only
Section 13 of the Prevention of Corruption Act, 1988, defines criminal misconduct, which includes fraudulent misappropriation of property and illicit enrichment. The Act also provides specific penalties for recidivism, mandating a minimum five-year sentence for habitual offenders under Section 14. Contrary to some assumptions, Section 15 explicitly covers and penalizes the attempt to commit such criminal misconduct.

42. (A) P-2, Q-3, R-1, S-4
The Prevention of Corruption Act, 1988, prescribes various punishment ranges for different offences. Section 13(2) sets a four to ten-year range for criminal misconduct, while Section 14 mandates five to ten years for habitual offenders. Attempts under Section 15 carry two to five years of imprisonment, and offences by individuals in commercial organizations involve a three to seven-year term.

43. (B) I and III only
Section 17A of the Prevention of Corruption Act, 1988, regulates inquiries and investigations against public servants. It stipulates that prior approval is mandatory for investigating actions related to official recommendations or decisions. While it provides an exemption for on-the-spot arrests, the timeframe for the authority to convey a decision is three months, with a possible one-month extension only.

44. (D) Only I
Under Section 13 of the Prevention of Corruption Act, 1988, a public servant is guilty of criminal misconduct if they intentionally enrich themselves illicitly. A legal presumption of such enrichment arises specifically when the person is

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63. (D) Assertion (A) is false, but Reason (R) is true.
Section 18 of the Prevention of Corruption Act, 1988, does not grant an unconditional power to all police officers to inspect bankers' books. The assertion is false because the law specifically limits this power to prevent potential administrative overreach. The reason is true as it correctly states that officers below the rank of Superintendent of Police require explicit authorization to exercise this power.

64. (A) Section 9
Section 9 of the Prevention of Corruption Act, 1988, addresses the legal liability of commercial organizations. It stipulates that if a person associated with a commercial organization gives or promises an undue advantage to a public servant to obtain or retain business, the organization itself is guilty of an offence. This section specifically targets corporate bribery of public officials.

65. (A) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
Special laws like the Prevention of Corruption Act, 1988, create exclusive jurisdictions for Special Judges. Legal precedents have established that because these trials must be conducted by Special Judges, a case cannot be transferred directly to the High Court for trial. The reasoning is that the statutory procedure only allows for transfers to other courts of equivalent specialized jurisdiction.

66. (C) Four years
Section 4 of the Prevention of Corruption Act, 1988, provides the procedural timeline for trials. While the initial goal is to conclude the trial within two years, the law allows the Special Judge to grant extensions for recorded reasons. However, the absolute maximum period for the conclusion of such a trial, including all cumulative extensions, is capped at four years.

67. (C) Criminal misconduct
Under Section 13 of the Prevention of Corruption Act, 1988, criminal misconduct includes a specific provision regarding the possession of unexplained wealth. If a public servant possesses pecuniary resources or property disproportionate to their known sources of income and cannot account for them satisfactorily, it legally amounts to criminal misconduct. This serves as a key tool for prosecuting illicit enrichment.

68. (D) Assertion (A) is false, but Reason (R) is true.
The assertion that a sentence is automatically reversed due to any sanction error is false under the Prevention of Corruption Act, 1988. Section 19(3) clarifies that procedural irregularities in a sanction do not invalidate a trial by default. The reason is true because the law requires the appellate court to be satisfied that a failure of justice actually occurred.

69. (D) Providing an opportunity of being heard to the concerned public servant.
Section 19 of the Prevention of Corruption Act, 1988, provides mandatory procedural requirements when a private person requests a prosecution sanction. Before the competent authority can make a decision, especially a refusal, it must provide the concerned public servant with an opportunity to be heard. This ensures that the decision-making process is fair and considers the public servant's perspective.

70. (C) Imprisonment for not less than three years extending to seven years, and a fine.
Section 10 of the Prevention of Corruption Act, 1988, details the punishment for individuals in charge of commercial organizations found guilty of bribery. A person convicted under this section, such as a Managing Director, faces a term of imprisonment. The statute prescribes a minimum sentence of three years, which may extend up to seven years, in addition to a fine.

71. (D) Assertion (A) is false, but Reason (R) is true.
The assertion that an investigating officer must always obtain prior approval before any investigation is false. Section 17A of the Prevention of Corruption Act, 1988, provides a specific and significant exception. The reason is true because the law explicitly states that no such prior approval is necessary when a public servant is arrested on the spot for accepting a bribe.

72. (D) No prior approval is necessary for cases involving arrest on the spot for accepting a bribe.
According to the proviso in Section 17A of the Prevention of Corruption Act, 1988, the requirement for prior approval from a competent

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54. (C) I, II, III, and IV
Section 19(3) of the Prevention of Corruption Act, 1988, imposes strict limitations on judicial intervention to prevent delays in corruption trials. It prohibits the reversal of sentences due to sanction errors unless justice is compromised and bars stays on any ground. Additionally, it explicitly removes the court's power to exercise revision in relation to any interlocutory order passed.

55. (A) I and II only
Section 4 of the Prevention of Corruption Act, 1988, emphasizes the need for expeditious trials by Special Judges. It mandates day-to-day proceedings as far as practicable and sets an initial target of two years for conclusion. While extensions are permitted, the Judge must record reasons for the delay and cannot extend the trial indefinitely beyond the four-year limit.

56. (B) P-4, Q-1, R-2, S-3
Investigation powers under Section 17 are allocated based on the organization and geography involved. Inspectors handle cases for the Delhi Special Police Establishment, while Assistant Commissioners are authorized in major metropolitan areas. In other regions, a Deputy Superintendent of Police is the standard authority. However, for complex criminal misconduct under Section 13, the authorization typically starts at the Superintendent level.

57. (A) I, II, III, and IV only
Section 2c of the Prevention of Corruption Act, 1988, classifies individuals performing public duties as public servants. This includes officers of government-aided co-operative societies, members of selection committees, and university examiners. However, an employee of a purely private, un-aided hospital is not considered a public servant under this Act, as they do not perform a state-recognized public function or receive aid.

58. (A) Section 17A — Appeal and Revision
The Prevention of Corruption Act, 1988, organizes its provisions into specific sections. Section 3 covers the appointment of Special Judges, Section 16 deals with fixing fines, and Section 18 outlines the power to inspect bankers' books. Section 17A specifically addresses the requirement for prior approval for investigations. Therefore, pairing Section 17A with appeal and revision is legally inaccurate.

59. (C) I, II, and III only
Under Section 2c of the Prevention of Corruption Act, 1988, several categories of individuals are defined as public servants. This includes persons in the service of local authorities, judges performing adjudicatory functions, and those authorized by a court of justice for administration of justice duties. Regular income tax payers, being private citizens without public duties, are not included in this definition.

60. (B) Only II
Section 18 of the Prevention of Corruption Act, 1988, empowers authorized police officers to inspect bank records during an investigation. While banks are legally obligated to provide certified copies of relevant entries to assist the process, the power to inspect is not unconditional. It is specifically restricted to officers of a certain rank or those with special authorization from senior leadership.

61. (C) Section 7
Section 7 of the Prevention of Corruption Act, 1988, specifically penalizes public servants who accept or attempt to accept any undue advantage. If an individual is caught demanding and accepting cash beyond their legal remuneration, they are charged under this section for the offence of being bribed. This covers acts intended to influence the performance of a public duty.

62. (C) Three months
When a private citizen or activist files a proposal for a prosecution sanction against a public servant, the competent authority must act within a defined timeframe. According to Section 19 of the Prevention of Corruption Act, 1988, the authority should endeavour to convey its decision on the proposal within three months of the receipt of such a request from the complainant.

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authority is waived in certain circumstances. Specifically, in cases involving the on-the-spot arrest of a person on the charge of accepting or attempting to accept any undue advantage, no such prior approval is legally required to investigate.

73. (B) Finding or sentence shall not be reversed unless the error caused a failure of justice.
Section 19 of the Prevention of Corruption Act, 1988, protects trials from being invalidated by minor administrative errors in sanctions. An appellate court would not reverse a finding or sentence due to a typographical error in the sanction letter unless the defense can demonstrate that it caused a failure of justice. Procedural technicalities alone are insufficient to overturn a conviction.

74. (D) Record reasons for delay and extend the date for up to 6 months at a time.
If a trial under the Prevention of Corruption Act, 1988, is not completed within the initial two-year period, the Special Judge must follow specific procedural steps. Under Section 4, the Judge is required to record the reasons for the delay in writing. Based on these reasons, the Judge can then extend the trial for further periods of six months each.

75. (A) Section 2c (iii)
Section 2c(iii) of the Prevention of Corruption Act, 1988, includes any person in the service or pay of a corporation established by or under a Central, Provincial, or State Act within the definition of a public servant. Employees of Public Sector Banks fall under this category as they are part of a government-owned or controlled corporation, thus being subject to the Act.

76. (D) The pecuniary resources for which the accused is unable to account satisfactorily.
Section 16 of the Prevention of Corruption Act, 1988, specifies the criteria for fixing fines in corruption cases. The court must primarily consider the pecuniary resources or property for which the accused is unable to provide a satisfactory account. This focus ensures that the fine effectively targets the illicit gains obtained through criminal misconduct and acts as a financial deterrent.

77. (C) Rejected because cases triable by a Special Judge can only be transferred to another Special Judge.
A petition to transfer a case from a Special Judge directly to the High Court is likely to be rejected. Based on the jurisdictional principles of the Prevention of Corruption Act, 1988, offences triable under the Act must be presided over by a Special Judge. Legal precedents reinforce that such cases can generally only be transferred to another Special Judge.

78. (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
The assertion accurately reflects the definition of legal remuneration, which covers all pay and benefits a public servant is authorized to receive. The reason provided is also a true statement as it correctly defines undue advantage by exclusion. While both statements are legally sound components of the Act's definitions, the reason is a separate conceptual definition rather than an explanation.

79. (B) Superintendent of Police
Section 17 of the Prevention of Corruption Act, 1988, contains a specific proviso regarding the investigation of criminal misconduct under Section 13. For these complex offences involving illicit enrichment or misappropriation, the minimum rank authorized to investigate without a Magistrate's order is that of a Superintendent of Police, ensuring high-level oversight of such significant cases.

80. (D) 3rd September 2021
The Standard Operating Procedures for processing cases under Section 17A of the Prevention of Corruption Act, 1988, were officially introduced on 3rd September 2021. These SOPs were issued by the Ministry of Personnel, Public Grievances and Pensions to provide a clear, standardized framework for authorities and police officers when seeking or granting approvals for inquiries and investigations.

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in possession of pecuniary resources or property that are disproportionate to their known sources of income and cannot be explained satisfactorily by the accused.

45. (C) I, II, III, and IV only
Special Judges appointed under the Prevention of Corruption Act, 1988, must have experience as a Sessions or Assistant Sessions Judge. They are authorized to try offences and related conspiracies. The statute requires trials to be concluded within a four-year maximum period. However, the transfer of their cases is strictly governed by the Act, generally limiting transfers between Special Judges.

46. (A) II, IV, I, III
When a private person files a corruption complaint, the court must first ensure it is not dismissed before directing the complainant to seek sanction. The competent authority then receives the proposal and must provide the accused public servant an opportunity to be heard. Finally, the authority endeavours to convey its decision on the prosecution sanction within the standard three-month period.

47. (B) I, II, III, and IV
The Prevention of Corruption Act, 1988, establishes specific maximum imprisonment terms for various offences. Section 7 and Section 10 both carry a maximum penalty of seven years. Section 11, involving undue advantage without consideration, has a five-year maximum limit. Habitual offenders prosecuted under Section 14 face the most severe maximum term, which is fixed at ten years of imprisonment.

48. (B) Section 11 (Public servant obtaining undue advantage without consideration) — Maximum 5 years.
Section 11 of the Prevention of Corruption Act, 1988, deals with public servants obtaining undue advantages without consideration. The law prescribes a punishment range of six months to five years for this offence. Comparing this with other sections, such as Section 7A or Section 13, it is confirmed that five years is indeed the statutory maximum for Section 11.

49. (A) II and III only
Section 27 of the Prevention of Corruption Act, 1988, clarifies the appellate and revisional procedures. The High Court is the primary body that exercises these powers, applying the rules established in the Code of Criminal Procedure, 1973. For the purpose of these legal proceedings, the High Court treats the court of the Special Judge as a Court of Session.

50. (C) Only I
Section 19 of the Prevention of Corruption Act, 1988, sets a three-month deadline for authorities to decide on prosecution sanctions. If legal consultation is required to finalize the decision, this period can be extended by an additional month. Additionally, the Central Government is legally empowered to prescribe guidelines for the purpose of granting such sanctions for public servants.

51. (D) I, II, III, and IV only
Previous sanction under Section 19 is mandatory before a court takes cognizance of major corruption offences. The appropriate government for sanctioning depending on whether the employee is under the Union or a State. For private complaints, procedural checks against summary dismissal are required. Furthermore, the public servant must be heard, and the requirement applies regardless of their current employment status.

52. (A) P-4, Q-3, R-2, S-1
Section 2 of the Prevention of Corruption Act, 1988, provides essential definitions for the entire statute. Subsection 2a defines election, while 2aa covers the term prescribed. Subsection 2b details the meaning of public duty, and 2d defines undue advantage. This structured categorization ensures clarity and consistency in applying the Act's provisions to various corrupt practices and administrative procedures.

53. (C) A Chairman of an unaided private tech company — Public Servant
The definition of a public servant under Section 2c of the Prevention of Corruption Act, 1988, is extensive but not universal. It includes government-funded university officials, arbitrators, and leaders of co-operative societies receiving state aid. However, a chairman of a

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